

FINANCIAL TIMES



Equatorial Guinea
Oil bonanza for banana basket case
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'Free' trade pacts
Building blocks or stumbling blocks?
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Rosen's motor
Mean, lean and green powertrain
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Today's surveys
Netherlands Northern Ireland
Separate Sections

European Union aims to counter US Cuba laws

The European Union is pressing ahead with moves to counter US laws penalising foreign companies that do business in Cuba. A tense day of talks in Luxembourg ended with Denmark dropping its threatened veto of the EU moves and agreeing to a compromise. The EU has already complained to the World Trade Organisation about the Helms-Burton law, but further counter-measures are seen as a test of Europe's credibility in trade policy. Page 4

Air France hinted it might bid for AOM, its domestic rival. The suggestion comes as British Airways looks set to boost its position in France by winning control of private carrier Air Libérie. Page 17

Portugal set to back bid: Lisbon looks set to approve an Es33.15bn (\$215.7m) bid led by US cigarette maker Philip Morris for 66 per cent of state-owned tobacco company Tabacalra. Page 17

Deutsche Telekom chief Ron Sommer said the German company's priority would be cutting its debt to DM65bn (\$42bn) by 2000 - even if it meant forgoing chances to expand. Page 17

Army admits killings: Burundi's Tutsi-dominated army admitted killing about 50 Hutu civilians earlier this month and said those responsible would be punished. Editorial Comment, Page 15

Shutto gives up finance portfolio: Beleaguered Pakistan prime minister Benazir Shutto (left) gave up the finance portfolio she has held since coming to power three years ago. Her successor in the job will be privatisation minister Naveed Qamar. His appointment is seen as a move to please the International Monetary Fund, which has been withholding a \$600m stand-by loan pending firm government action. Page 16; Warning on tariff cuts, Page 4

UK seeks to ban combat knives: Britain's Conservative government agreed to consult all political parties on banning combat knives following last month's conviction of a youth for the fatal stabbing of a London headmaster. Page 9

McDonnell Douglas has scrapped plans to develop a large jetliner to compete with market leaders Boeing and Airbus. The move will revive questions about the aerospace group's future in the commercial sector. Page 20

Crackdown on tax debtors: Russia has launched its threatened crackdown on corporate tax debtors by starting bankruptcy proceedings against four big companies. Page 2

Ukraine plans to follow Russia into the international capital markets by issuing its first eurobond, possibly by early 1997. Page 3

European pensions: A British parliamentary committee will call this week for the scale of countries' unfunded pension liabilities - those not covered by specific assets - to become a new criterion for eligibility to join a European single currency. Page 9

Citibank: Japan's post and telecoms ministry has granted Citibank permission in principle to link with nearly 20,000 automated teller machines operated by post offices across Japan. Page 17

Fever hits Vietnam: Dengue fever has broken out in Vietnam's Mekong Delta following the worst floods for years. Nine people have died and 4,000 cases have been reported.

Bulgarian Socialists beaten: Bulgaria's ruling former communists lost in weekend presidential elections, according to official preliminary results showing opposition candidate Petar Stoyanov ahead with 43.65 per cent of the vote with Socialist rival Ivan Marazov on 27.07 per cent. Page 2

Marcos jewels to be auctioned: A Philippines court approved the auction of almost \$12m of jewellery belonging to former first lady Imelda Marcos. A Marcos family request to stop the sale was rejected.

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STOCK MARKET INDICES
New York: Dow Jones Ind. 5,998.21 (+10.81)
NASDAQ Composite 1,220.78 (+1.82)
Europe and Far East:
CAC40 2,150.39 (+12.04)
DAX 2,703.83 (+29.61)
FTSE 100 4,025.3 (+2.9)
Nikkei 20,895.41 (+145.44)

US LUNCHTIME RATES
Federal Funds 5.75%
3-month Treas. Bids Yld 5.131%
Libor 3M 5.05%
Yield 6.828%

OTHER RATES
UK 3-mo Interbank 6% (same)
UK 10 yr Gilt 9.9% (99.8)
France 10 yr OAT 103.72 (103.69)
Germany 10 yr Bund 101.49 (101.64)
Japan 10 yr JGB 112.8297 (102.568)

NORTH SEA OIL (Argus)
Brent Dated \$24.45 (24.11)
WTI 24.68 (24.36)

STERLING
London: £1.5121 (1.5041)
DM 1.5203 (1.5234)
FF 5.1336 (5.1433)
SF 1.2883 (1.2823)
Y 114.245 (113.385)
Tokyo close: ¥113.5

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Drop in deficit boosts Clinton in week before poll

By Patti Waldmeir in Washington

President Bill Clinton yesterday began the final week of the US presidential election campaign by announcing a drop in the federal budget deficit to the lowest level in 15 years. It was an attempt to lift the spirits of voters with more of the positive economic news that has given him such a commanding lead in the opinion polls.

Exploiting the advantages of incumbency to the limit, Mr Clinton unveiled the deficit figure with considerable campaign fanfare. Two young Democrats pulled a cord to reveal the new number on a red, white and blue banner behind the president at a rally in St Louis, Missouri. The banner showed the deficit for the fiscal year to September 30 was \$107.3bn, down 63 per cent from 1992. It is the lowest deficit since 1981, when it stood at \$79bn.

Before Mr Clinton had spoken, in what has become known in the 1996 campaign as a "prebureaucratic", senior Republicans began claiming credit for the reduction. Mr Haley Barbour, Republican party chairman, said: "This is a huge credit to the commonsense Republican Congress which fought for spending constraints." But the advantages of office could ensure that more credit for the decline goes to the president than to Congress.

Mr Franklin Raines, director of the White House Office of Management and Budget, acknowledged that the drop reflected stronger-than-expected economic growth and efforts to control government spending. Each accounted for about half the decline, he said, adding that the deficit was expected to grow in 1997.

The president's political advisers were not stressing such economic niceties: they want the headlines to reflect that last year was the fourth straight year of decline, and



US president Bill Clinton begins his campaign tour of the swing states in St Louis yesterday

and where the election result is usually close. This year, Mr Clinton holds a strong lead in opinion polls in many Midwestern states, highlighting the weakness of Mr Dole's campaign.

The former Senator was yesterday campaigning in California, where he spent the weekend issuing increasingly gloomy warnings about the President's character, even implying that Mr Clinton might be impeached because of ethical violations.

He insisted that he was merely repeating a warning from Mr Ross Perot, the Reform party presidential candidate.

Nazi gold inquiry accepted by banks

By Norma Cohen in London

Swiss banks have agreed to the most sweeping investigation ever into their secretive banking practices, giving independent auditors "unfettered access to all relevant files" about the dormant accounts of Nazi victims.

The auditors will be asked to discover whether the banks illegally disguised the accounts in previous investigations to avoid handing over proceeds to their rightful owners.

The International Committee of Eminent Persons, set up by Swiss banks and the World Jewish Congress in response to international anger over Switzerland's role in handling dormant accounts, has set out the terms of reference for its inquiry in a confidential nine-page memorandum.

The memorandum was sent on October 18 to the big six auditing firms seeking to become the accountants to the committee charged with carrying out the investigation. The committee is headed by Mr Paul Volcker, former chairman of the US Federal Reserve Board.

The memo, a copy of which has been obtained by the Financial Times, outlines plans for a pilot audit of four Swiss banks to be completed before June 1997 and the final audit to be completed by June 1998.

It says the accountants will have to investigate not only the existence of previously unreported bank accounts but also those which would have been classified as dormant were it not "as a result of actions that were inconsistent with the banks' legal or fiduciary duties".

The auditors will be required to "review the record-keeping practices at individual banks at the time of the account opening during the 1934-46 period, and

German bank talks may lead to merger

By Frederick Stedemann in Berlin

Bankers in Berlin said yesterday that talks between two of Germany's large regional banking groups could lead to a merger that would create the country's second-largest bank, with assets over DM500bn (\$337.80bn), and would strengthen Berlin as a financial centre.

In a joint statement, the two banks, Bankgesellschaft Berlin and Norddeutsche Landesbank, said it was agreed at a meeting of their boards on Friday that talks aimed at devel-

oping a closer working relationship should be stepped up. The statement emphasised that Mr Eberhard Diepgen, the mayor of Berlin, and Mr Gerhard Schröder, minister-president of the state of Lower Saxony, had attended the meeting.

The city of Berlin holds a 58.8 per cent stake in BGB and Lower Saxony owns 40 per cent of Nord/LB.

Nord/LB said talks had been taking place for some time, but were geared towards a co-operative venture, not a merger.

BGB and Nord/LB have already established a joint data-processing subsidiary, merged their mortgage banking operations and set up a consulting company to advise public sector bodies on project finance and privatisation.

Nord/LB already has a 15 per cent direct equity stake in BGB, and, through a 25 per cent stake in Gothaer Beteiligungsgesellschaft, the investment arm of the Gothaer Insurance group, has a further indirect holding of 2.5 per cent.

Against the backdrop of increasing consolidation in the banking sector, a merger of Nord/LB and BGB has often been seen as a likely move. But it is a problematical one

as it requires agreement by four regional governments. The news that Mr Diepgen and Mr Schröder have given their support for a stepping up of talks has been interpreted as a sign that prospects of a merger have improved.

As well as the government of Lower Saxony, Nord/LB's shareholders include the east German states of Mecklenburg-Vorpommern and Saxony-Anhalt, each with 16.66 per cent, and Lower Saxony's savings banks, which hold 26.66 per cent.

Besides its direct majority stake in BGB, the city of Berlin owns a 25 per cent stake in Landesbank Berlin, one of the three banks which were brought together in January 1994 to form BGB.

Since then BGB has grappled with the costs of consolidation. Operating profits in the first half of 1996 fell 39 per cent to DM310m, while costs rose 13 per cent to DM1.2bn.

In the first nine months of 1996, Nord/LB had operating profits before provisions of DM16m, 16 per cent up on the previous period. Administrative costs rose 6.7 per cent.

Observer, Page 15

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NEWS: EUROPE

Future EMI chief warns too much stress being placed on one-off budget measures

Rush to qualify for Emu condemned

By David Brown in Amsterdam

The stability of Europe's planned single currency is being put in danger because aspiring member countries are relying too much on one-off budgetary manoeuvres to secure their place. This is the view of Mr Wim Duisenberg, the Dutch central bank governor, who is to preside over the transition to monetary union.

Mr Duisenberg, who will become president of the Frankfurt-based European Monetary Institute next July, said in an interview that structural deficits and

debt levels were not being paid enough attention.

Spain and Italy have made clear this month that they intend to go all-out to qualify for the first round of monetary union in two years' time. This will require special arrangements in their national budgets for 1997, the year on which eligibility will be judged.

Among harder currency countries, the Netherlands - where public debt remains outside Emu convergence criteria - was itself using exceptional measures, such as running down the treasury's F10bn-plus (about \$42m) account with the cen-

tral bank, he conceded.

"Of course, various tricks and one-off measures can effectively bring one's figures near or under the target criteria for 1997, but the essence of the Maastricht exercise is that reform should be pursued in a more structural way," he said. Mr Duisenberg, a monetarist, has maintained a fierce independence from Dutch government policy.

But in a strong defence of the Emu project, he maintained that Europe could count on faster economic growth and higher employment if it moved determinedly towards the single

currency regime. This is in contrast to those who argue that the plan could depress growth, darken prospects for Europe's 18m unemployed, and force the costs of the transition on to the public at large.

Mr Duisenberg, who is also tipped to head the European central bank, successor to the EMI, insisted the EU's high jobless rate was due to cyclical factors and labour market rigidities. However, the move towards Emu had inspired governments to take steps to improve the functioning of their labour markets and reduce their role in the economy overall.

This would naturally help fight unemployment.

Mr Duisenberg's remarks come against a background of deteriorating labour relations and further signs of a fraying social consensus in many parts of the EU. Within the past fortnight Germany, France and Belgium have suffered nationwide strikes, while both France and Austria have witnessed an electoral polarisation towards anti-European extremes.

He rejected suggestions that fears among bankers about access to the Target currency clearing system were symptomatic of a

deeper split emerging between Emu "ins" and "outs" within a multi-track Europe.

Mr Duisenberg described the split over Target as primarily a technical issue, although it had political and commercial overtones. He said several commercial banks, in countries such as Denmark, had signalled that they might transfer their central treasuries to place themselves within the single currency area.

Stable exchange rates would improve the effective functioning of the market overall, he maintained. See Netherlands survey

Russia moves on corporate tax debtors

By John Thornhill in Moscow

The Russian government has started carrying out its threat to crack down on the country's worst tax debtors by launching bankruptcy procedures against four big companies.

The move is designed to tackle the government's severe budgetary problems, which have led to long delays in paying pensions and wages and sparked a series of talks with the International Monetary Fund over disbursement of the latest monthly tranche of its \$10.2bn loan.

Mr Pyotr Mostovoi, head of the federal bankruptcy agency, said the government had threatened further seven companies with bankruptcy unless they paid their bills within a week and would investigate 12 more big oil and gas companies.

The government's efforts to get tough with tax debtors by publishing lists of how much various companies owed were already beginning to bear some fruit, Mr Mostovoi said.

"Many of the enterprises that were declared to be major non-payers of taxes, have now

become more active," he said.

The four targeted companies include Moskvich, a troubled car manufacturer, Kamaz, a truck producer, Krasnodarnfteorgintek, an oil refining concern, and Achinsky Glinozemny Kombinat, an aluminium company.

Two other oil companies have rescheduled their tax payments and are no longer on the list.

The government is likely to press for a reorganisation of the four targeted companies rather than outright liquidation, although Russia's bankruptcy procedures can be cumbersome.

Some of the targeted companies have complained their selection has been political and the government's move risks dragging regional leaders into disputes with the federal authorities.

Mr Minsimer Shaimiev, president of the central Russian republic of Tatarstan, where Kamaz is based, has denounced the government's initiative, saying he will support the truck producer.

More sparks could fly if the federal bankruptcy agency takes action against ZIL, another troubled car manufacturer currently under scrutiny, which is backed by Mr

Yuri Lushkov, Moscow's populist mayor.

The government says it is employing three objective criteria for selecting targets: the size of a company's outstanding bills, the proportion of tax it has paid, and the absence of government debts to the company.

Mr Anatoly Chubais, head of the presidential administration, who is taking an increasingly active role in supervising economic policy, has said that it is "absolutely intolerable" that the rate of tax collection last month fell to 45 per cent of target.

Bulgarians sell some family silver

Urgent need for ready cash is forcing a reluctant Sofia to offer stakes in some of the country's few profitable state companies, writes Anthony Robinson

The vote of no-confidence in Bulgaria's Socialist government delivered in last Sunday's first round presidential election will not change its overriding priorities: raising more than \$1bn to service its \$10bn foreign debt next year; restoring confidence in the banking system; and persuading the International Monetary Fund to release the delayed \$115m second tranche of a \$680m standby loan agreed in July.

The government, which still thinks in terms of Soviet-style dirigisme, has come to the reluctant conclusion that only the rapid sale of the relatively few profitable state-owned companies provides an escape route.

A 25 per cent stake in BTC, the state telecoms company, is high on the list of 22 "jewels" to be sold to foreign strategic investors, along with copper mines, shipyards, steel and engineering plants, and banks.

The list also includes two chemical plants whose ability to survive years of under-investment and general economic collapse help to explain how some Bulgarian enterprises have managed to retain their status as valuable assets attractive to foreign investors ready to unlock their true potential.

The two companies are Sodi Devnya, which produces soda ash and related chemicals at Varna, Bulgaria's biggest Black Sea port, and Chimco, which produces urea fertiliser, ammonia and industrial gases at a relatively modern plant 50km north of Sofia, the capital. Both are export-oriented and therefore partially insulated from the high inflation, shaky banks and political interference which have plagued the domestic economy.

The decision to build Chimco was taken after the discovery of a small natural gas deposit 15km from the town of Vratza. The deposit was exhausted soon after the

Italian-built plant was completed in 1967, and, since 1974, the natural gas which provides both the chemical feedstock and power for the plant has come from the former Soviet Union.

Chimco keeps production costs down by reinjecting Russian gas into the natural reservoir during the summer when gas prices are low. Its specialised rail freight wagons and dedicated export

warehouse in Varna harbour give it a cost advantage of \$10-\$15 a tonne over equivalent Russian plants at Togliatti which have to pay rail and transit fees through Ukraine and loading fees at the port of Odessa.

Faced with Russian dumping in the early 1990s which depressed world market prices, Chimco survived initially by switching the bulk of sales to the Chinese mar-

ket and, since 1993, to North America.

Profits rose sharply on higher world prices for urea and ammonia in 1995 and nearly doubled again to \$7m pre-tax in the first nine months of this year, according to accounts presented to potential buyers which include Daewoo of South Korea and Norsk Hydro.

Sodi Devnya, which is expected to be the first on the rapid privatisation list to be sold, sits on top of huge and cheaply exploitable deposits of limestone and salt, the basic inputs for its standard Solvay-process soda ash plant.

Half its output of around 200,000 tonnes a year is exported to South Korea for LG corporation's glass plants. Another 40,000 tonnes goes to South Africa.

What attracts the six foreign investors which have tendered is the potential for expanding production and exports. The bidders, which include LG of South Korea, Solvay of Belgium, Rhône-Poulenc Rorer of the US and Brunner-Mond of the UK, have submitted plans for substantial investment - one wants to raise capacity to nearly 1m tonnes a year by the end of the decade.

Such plans will be encouraged by amendments to the foreign investment law which offer a three-year tax break to foreign companies investing more than \$5m and will permit faster depreciation than the meagre 4 per cent annually allowed by the current law.

But the foreign bidders' emphasis on high investment clashes with the government's overriding need for cash up front to head off a looming foreign debt repayment crisis.

In April, only Sodi Devnya, the Varna power station and the 25 per cent stake in BTC were earmarked for privatisation. The government hoped Sodi would bring in around \$600m and the BTC stake \$800m - more than the total \$718m foreign investment in Bulgaria since 1991.

Realisation that this was wildly optimistic helps explain why the rapid privatisation programme has been expanded to 22 companies.

"For the first time in six years there is a clear political will in the government in favour of privatisation," says Dimitar Radev, deputy finance minister. But, even with full government backing, the privatisation process takes time.

Foreign debt traders believe Bulgaria will be lucky to raise more than \$500m in the first half of 1997 and the risk remains that the government's conversion to rapid privatisation has come to late.

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Maltese elect anti-EU premier

By Godfrey Grima in Valletta

Mr Alfred Sant, leader of Malta's Labour party, was yesterday sworn in as prime minister with a mandate to withdraw the island's application for membership of the European Union.

Thousands of Labour supporters poured on to the streets to celebrate after Mr Eddie Fenech Adami, prime minister since 1987, conceded defeat in Saturday's general election.

Labour's dramatic victory over Mr Fenech Adami's centre-right Nationalist party represents a spectacular reversal in its fortunes since the last election.

In 1992, the Nationalists won a 13,000 majority in the popular vote among the island's 274,000 electors. Last Saturday's poll put Labour 7,635 votes ahead and gave it a single-seat parliamentary majority. The party took 50.7 per cent of the popular vote and cut the Nationalists' share to 47 per cent from 51.9 per cent in 1992.

Mr Sant had campaigned on a promise to pull out of Nato's Partnership for Peace and to withdraw Malta's application to join the EU as a full member, filed by the Fenech Adami government in 1991.

Shortly after taking office, Harvard-educated Mr Sant, 48, said his priority was to maintain security in the country. Equally urgent, he added, was the launch of an all-out war against the spread of drugs. Mr Sant will form his cabinet after the vote counting process ends, probably tomorrow.

Several factors appear to have brought about Mr Fenech Adami's downfall, not least the introduction of value added tax last year to replace customs duties as part of his move towards hoped-for European Union membership.

Complaints by traders and middle class wage-earners against the increased transparency in income and cost of living rises created by VAT may have been taken too lightly by the Nationalists.

Reversing that reform, as he is pledged to do, would confirm Mr Sant's move away from EU membership.

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EUROPEAN NEWS DIGEST

Hungary faces forex losses

Two senior Hungarian central bank officials, including the vice-president responsible for the country's large foreign debt, have offered to resign over a foreign exchange contract with Austrian bank Creditanstalt that may lose the state several million dollars. The matter has been referred to the cabinet.

Less than a month ago the industry minister and entire board of the state privatisation agency were sacked over irregular payments of about \$5m to a consultant.

Analysts said the departure of Mr Frigyes Harsbegyi and Mr Sándor Csirjak, both long-standing and respected central bank vice-presidents, would be a serious loss. Mr Harsbegyi is one of Hungary's best-known officials and is the mastermind behind the country's successful foreign borrowing programme and debt management. Although still the largest per capita in the former east bloc, Hungary's foreign debt has fallen sharply, reaching \$27.2bn at the end of May, down from a peak of \$33.2bn in July 1995.

Virginia Marsh, Budapest July 1995.

SPD assails economic 'chaos'

Germany's opposition Social Democrat party yesterday obtained a special session of parliament tomorrow to debate the country's economic problems, but it failed to secure the return of Chancellor Helmut Kohl from the Far East. Mr Rudolf Scharping, the SPD's parliamentary leader, said Mr Kohl should return to answer charges that the federal finances were "in chaos", the economy out of balance and the 1996 budget unconstitutional because borrowing was likely to exceed the legal limit.

However, Mr Friedrich Bohl, head of the legal limit, said Mr Kohl was drumming up employment on his trip to Indonesia, the Philippines and Japan. Also, Germany's six leading economic research institutes, which produce their traditional autumn report today, would forecast growth of about 2.5 per cent next year after about 1 per cent this year.

The government coalition yesterday put on a more united front after a weekend of tension in which the junior Free Democrat party warned of a possible rupture in the event of new tax increases. Mr Wolfgang Gerhardt, the FDP leader, said the present coalition was the only grouping capable of implementing much needed structural reforms.

Peter Norman, Bonn

French poll plea rejected

Leading figures in France's governing Gaullist RPR party yesterday dismissed a call by the centre-right UDF, the junior coalition partner, that President Jacques Chirac should respond to France's economic and political malaise by either calling early elections, reshuffling his government or holding a referendum.

Mr Patrick Besson, a senior Gaullist and adviser to Mr Alain Juppé, the prime minister, said the appeal by Mr François Létourneau, the UDF leader, for "institutional solutions" was for the president to decide, and would not in any case "directly answer the anxieties of the French people about unemployment". One Gaullist backbencher accused Mr Létourneau of merely wanting a job in the government because he was bored being outside it.

Nevertheless, Juppé aides concede the main incentive for a reshuffle, perhaps next spring, would be to bring in Mr Létourneau, who is proving an awkward critic of many aspects of government policy.

David Buchan, Paris

Corsican talks claim

A Corsican nationalist claimed yesterday that he had had secret talks recently with senior French officials despite government denials that it had met groups linked with terrorists. Mr François Santoni, a leader of the Cuncolta, political wing of the FLNC-Canal Historique, responsible for a series of recent bombings, gave several names of senior officials he said he had met.

The prime minister's office called his claims "grotesque inventions to justify [Mr Santoni's] demands and violent acts condemned by the majority of Corsicans". However, they were seized on by the opposition Socialists, who said it was "an open secret" such discussions had taken place, and these talks threw into doubt the government's publicly-stated policy of "firmness" in the face of terrorist acts.

Andrew Jack, Paris

Fertiliser takeover cleared

The European Commission confirmed yesterday that it had cleared plans by Hydro Agri Nederland, the Dutch subsidiary of Norwegian oil and gas company Norsk Hydro, to buy the fertiliser company Terni Industrie Chimiche, part of Enichem, the Italian state-controlled chemical concern.

In each of its markets, the Commission said, Norsk Hydro would face competition from important rivals, or the addition of market shares would be insignificant, or entry into the market would be relatively easy for other producers.

Reider, Brussels

ECONOMIC WATCH

Retail sales up and down

German retail sales presented a mixed picture in July, rising strongly compared with the same month of last year but declining from the level of June. The federal statistics office yesterday reported sales were up 2.5 per cent in real terms compared with July 1995 but down by a real 1.9 per cent from June 1996 after adjustment for seasonal and calendar changes. Compared with July last year, volume sales increased in all retail sectors except speciality food stores. The month's turnover was further boosted by a real 19.2 per cent year-on-year increase in mail order sales as households reacted positively to the new catalogues issued during the month.

Peter Norman, Bonn

Sweden had a trade surplus of SKr10.7bn (\$1.6bn) in September, compared with SKr9.5bn in August.

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Voters show disdain for the main parties

By Anthony Robinson in London and Theodor Troev in Sofia

Bulgarian voters delivered a slap in the face to the governing Socialists in the first round of the presidential election at the weekend. However, they also showed little enthusiasm for the alternative Union of Democratic Forces (UDF).

With most votes counted, Mr Petar Stoyanov, the anti-Communist UDF coalition candidate, had won 44 per cent against 27 per cent for Mr Ivan Marazov, the Bulgarian Socialist party (BSP) candidate and his running mate Ms Irina Bokova. Eleven other groups shared the rest. Only 60 per cent of the electorate bothered to vote, however, compared to 75 per cent at the 1994 parliamentary elections when the BSP won 56 per cent and a clear parliamentary majority.

The run-off between the top two candidates takes place next Sunday.

The halving of the Socialist vote is a personal blow to Mr Zhan Videnov, the prime minister, who had promised to ease the pain of transition to a market economy

but then delayed privatisation and other reforms until forced to by a haemorrhage of foreign reserves.

The low poll also means that Mr Stoyanov, who sought financial and moral support from the German government and an endorsement from President Alexander Kwasniewski of Poland while other candidates were campaigning in the towns and villages of Bulgaria, is only supported by 25 per cent of the electorate.

This raises a question mark over his ability to attract votes from Bulgarians who demonstrated their disillusionment with the mainstream parties by staying home or backing smaller groups.

The lion's share of votes for the latter went to Mr George Ganchev, populist head of the Bulgarian Business Bloc. He has emerged as a potential king-maker. His party used to support the Socialists in parliament and he probably received the votes of disaffected BSP supporters. But he has refused to endorse either of the run-off candidates and has blamed both main parties for contributing to the country's collapse.

EU ministers press Commission for more beef aid

By Caroline Southey in Luxembourg

European Union farm ministers yesterday put heavy pressure on Mr Franz Fischler, the agriculture commissioner, to increase aid to beef farmers, despite fresh evidence that extra payments have matched losses caused by falls in prices and consumption.

EU countries, led by France, want the European Commission to find extra money for farmers affected by the seven-month-old

crisis in the beef market caused by BSE, or mad cow disease. Farmers have already been paid an additional Ecu500m (\$1.07bn) from the 1996 budget to cover their losses.

The Commission, in a report on the effect of the crisis on farm incomes, concludes that farmers have lost between Ecu1bn and Ecu1.3bn through the combined effect of lower prices and lower sales. The report points out that member states were free to match EU payments of Ecu500m out of

national coffers, bringing the total aid package to Ecu1.7bn.

EU officials said the report showed calls for additional aid could not be justified. "All ministers want more money. But there is no more money," one said.

Mr Fischler warned ministers against believing that additional money could be found next year by using Ecu1.7bn unspent in 1996. "At first sight this unspent money might seem to be the solution to the budget problems facing us in 1997, but I regret to say that</

Kiev eyes capital markets with first eurobond issue

By Matthew Kaminski in Kiev

Ukraine has stepped up efforts to follow Russia on to the international capital markets with the issue of Ukraine's first eurobond, possibly by early 1997.

The former Soviet republic this month sounded out aid donors and western banks about an earlier than anticipated eurobond issue, officials in Kiev said yesterday. The Kiev government could be a borrower in the coming years.

Ukraine's government, which currently depends entirely on foreign aid and an expensive debt market for its deficit financing needs, has recently made clear its intention to find other sources of capital.

A proposed tax cut for

next year, part of a concerted attempt at speeding up structural reform, is partly behind the push for a eurobond issue, a western economist said.

Ukraine will first need International Monetary Fund backing. A critical final round of talks begins today on a three-year \$3.1bn extended fund facility.

The main outstanding issue is the draft 1997 budget, but western officials yesterday were confident that the loan would be disbursed more or less on time in January.

One said the IMF had given Ukraine the green light to go ahead with a eurobond issue.

The Ukrainian government has been buoyed by Russia's success last month in securing a credit rating

and preparing its eurobond issue tentatively for next month.

"The Russian situation encouraged [Ukraine] to approach the markets sooner rather than later," said Mr Dan Lubash, managing director of emerging markets at Merrill Lynch.

Ukraine would need less time to prepare for an issue than Russia because the country did not inherit any outstanding Soviet debt that subsequently had to be rescheduled.

More than \$8bn in debt has been accumulated since 1991.

The budget deficit targets for 1996 have been met. Next year the country plans a 3.8 per cent fiscal deficit, which includes principal paid on debt.

But analysts believe

Ukraine would be unlikely to receive a credit rating as high as the BB awarded by agencies to Russia last month, as its track record on financial stabilisation remains short and privatisation lags behind Russia.

The government has been holding discussions with JP Morgan, Merrill Lynch, CS First Boston and SBC Warburg, according to Mr Mykola Melnitschouk, head of the foreign exchange reserves department at the central bank.

"We're still at an early stage," Mr Melnitschouk said.

He added the options were a larger, long-term duration bond of \$500m or a smaller trial issue. No manager has been selected to lead the issue.

Hungary gets S&P investment rating

By Richard Lapper, Capital Markets Editor

Hungary was yesterday awarded an investment grade credit rating by Standard & Poor's (S&P), the international credit rating agency.

The triple B minus rating - the lowest of ten investment grade ratings - should allow a wider range of investors to buy Hungary's foreign currency debt and help the country reduce its borrowing costs.

The decision follows the award this year of similar investment grade ratings by two other agencies, IBCA and Duff and Phelps, while a fourth agency, Moody's Investor Services, announced this month it had placed Hungary on review for a possible upgrade from its current speculative grade status.

S&P's upgrade was widely expected by the markets and had little impact on the price of Hungary's most liquid dollar-denominated bonds already trading.

These yield about a percentage point more than US government bonds of the same maturity.

Standard & Poor's said Hungary had reduced its external debt burden and privatisation had helped make the country's exports more dynamic and improved its banking sector.

Net external public sector debt has fallen to an amount equal to an estimated 54 per cent of exports this year, compared with 62 per cent in 1995 and 126 per cent in 1994.

Hungary's vulnerability to economic and financial stresses had been reduced and it was now "more comparable to other sovereigns rated in the investment grade category," said S&P.

Other east and central European governments such as the Czech Republic, Slovakia, Slovenia and Poland already enjoy investment grade ratings.

Turkey's plan for budget attacked

'Zero-deficit' draft dismissed as overestimating privatisation revenues, reports Kelly Couturier

A delegation from the International Monetary Fund left Turkey last week after reviewing what many observers said was a budget draft for 1997 which many have attacked as unrealistic.

But observers said that the government gave its visitors little indication it was likely to make the structural changes the Fund has been urging - taxation and social security reforms and accelerated privatisation.

The "zero-deficit" budget for 1997 announced by the government this month has been dismissed by many economists and observers as grossly overestimating expected revenues from sales of state-owned enterprises in the country's slow-moving privatisation effort.

The budget foresees \$5.5bn in revenues from privatisation and sale of publicly owned properties, when less than \$1bn has been raised from privatisation in the last two years. The draft also includes what many analysts say is an unrealistic 2 per cent rise in tax revenues, as no structural tax reform measures have been taken.

Moreover, there are no serious moves to rein in public expenditure to help close the ballooning budget deficit, expected to reach TL 1,300,000bn, or \$13.55bn, by year's end, analysts said.

Two revenue-raising packages announced by the government were criticised as too dependent on "one-off" revenues such as the sale of public land and lacking in sustainable measures.

Shortly after taking office in July, Mr Necmettin Erbakan, the Islamist prime minister, adopted a series of populist measures, announcing a 50 per cent pay rise to 7m civil servants, public sector workers and pensioners. Mr Erbakan, whose support largely comes from low- and middle-income voters, also promised to cancel farmers' interest debts, end income



Premier Necmettin Erbakan and coalition partner Tansu Ciller: accused of 'trying to deceive the IMF by introducing misleading figures and an imaginary balanced budget'

tax on the minimum wage and give interest-free loans to small businesses.

"The gap between government expenditures and income has increased rapidly and is larger than it has been for years and inflation remains high and is increasing," said one western diplomat when asked to outline the key problems in the Turkish economy.

"The trade deficit is larger than expected and foreign investors are staying away until Turkey comes up with some credible stability measures," the diplomat said.

With the deficit steadily increasing and year-end inflation estimated to hit 86 per cent on an "explosive path," one economist forecast the public sector borrowing requirement would reach 12-13 per cent of gross national product, higher than the rate that triggered the 1994 financial crisis.

"The current situation is unsustainable," according to Faruk Selcuk, a professor of economics, and the IMF is likely to be unwilling to stand by Turkey until it "sees some real correction in macroeconomic fundamentals".

Mr Bilal Cetin, a commentator in the liberal daily

Yeni Yusuyl, used blunter language, accusing Mr Erbakan and his coalition partner, the centre-right True Path Party chief Tansu Ciller, of "trying to deceive the Fund by introducing misleading figures and an imaginary balanced budget, dream revenue-raising packages and exaggerated privatisation plans".

A future financial crisis could be worse than that of 1994, according to Atilla Karaosmanoglu, a veteran World Bank economist. Mr Karaosmanoglu, in an interview with the local Turkish Daily News, likened the Turkish economy to an HIV patient. "Its immunity to external shocks is getting weaker," he said.

Observers said the Fund, unwilling to trigger a confidence crisis toward Turkey, would wait and watch for some positive signals from the government of Mr Erbakan, who in the past has bitterly criticised the IMF and other international financial institutions.

Mr Erbakan was quoted by the Turkish press as saying that though his government awaited a positive report from the Fund, it had ruled out any further standby agreements.

Ilescu still ahead as Romania poll looms

By Virginia Marsh

President Ion Ilescu of Romania, who is standing for a third term in Sunday's elections, has built up a clear lead over his two closest opponents but his party is trailing the main opposition group in the parliamentary contest, according to opinion polls.

However, a poll by Imas, a local organisation, published yesterday showed many voters still undecided - 23 per cent had not made up their mind for the parliamentary election, Romania's third since the collapse of communism.

The poll showed the centre-right Democratic Convention on 25.2 per cent, a point ahead of Mr Ilescu's Party of Social Democracy, the core of the group of former communists that has held power since 1989.

However, the centrist Social Democratic Union led by Mr Petre Roman, the reformist former prime minister, was in third place with 14.4 per cent. It has said it aims to form a coalition with the Convention.

The poll also suggested that two of the three extreme nationalist and neo-communist parties that until recently

supported the PSDR's minority government might not achieve the 3 per cent of the vote needed to enter parliament.

The governing party, backed by powerful business groups, is seeking to distance itself from its former supporters and was instructed by Mr Ilescu to favour its moderate wing when selecting parliamentary candidates. However, with the former communists facing the prospect of defeat for the first time, the campaign has been marked by mudslinging and bitter personal attacks.

Romania's difficult transition to a market economy has given the opposition ample ammunition to attack the government's record. Figures published yesterday put inflation in the year to end-September at 45.3 per cent and the average monthly rate at 3 per cent, double last year's average. In a loan accord with the International Monetary Fund, Romania included a year-end inflation target of 30 per cent, down from 25 per cent in 1995.

The fund froze further disbursements in March after the authorities refused to free the official exchange rate.

At present, the leu's official rate is about 3,380 to the dollar but it is about



A Romanian woman counts her money in front of election posters yesterday. The country's currency has slipped in nervous trading ahead of the poll on November 3

4,200 in the parallel market.

An overvalued currency is a factor behind a 5.5 per cent drop in exports in the first nine months over the same period last year while hard currency shortages caused by the non-functioning interbank forex market contributed to a 11.1 per cent drop in imports.

Despite recent rises in real wages, monthly take home pay in September was just 71 per cent of 1990 levels.

1996 INTERIM REPORTS

The following companies announce that Interim Reports for the first half of 1996 are available upon request at their respective registered offices and at the Italian Stock Exchange Council.



STET - Società Finanziaria Telefonica per Azioni
Registered capital Lit 5,281,212,121,000 fully paid-in
Entered under No. 286/33 in the Ordinary Section of the
Company Register of the Court of Turin - Tax I.D. No. 00471850016
Registered office in Turin - Via Bertola, 28 (Tel.: 011/55951)
Head office in Rome - Corso d'Italia, 41 (Tel.: 06/85891)



Registered capital Lit 8,204,071,437,000 fully paid-in
Entered under No. 131/17 in the Ordinary Section of the
Company Register of the Court of Turin - Tax I.D. No. 00580600013
Registered office in Turin - Via San Dalmazzo, 15 (Tel.: 011/55141)
Head office in Rome - Via Flaminia, 189 (Tel.: 06/36881)



SIRTI Società per Azioni
Registered capital Lit 220,000,000,000 fully paid-in
Entered under No. 17236 in the Ordinary Section of the
Company Register of the Court of Milan - Tax I.D. No. 00748480159
Registered office in Milan - Via G.B. Pirelli, 20 (Tel.: 02/66771)



Società per Azioni
Registered capital Lit 410,203,571,850 fully paid-in
Entered under No. 2582/95 in the Ordinary Section of the
Company Register of the Court of Turin - Tax I.D. No. 06947890015
Registered office in Turin - Via Bertola, 34 (Tel.: 011/5565111)
Branch office in Rome - Via L. Rizzo, 22 (Tel.: 06/39001)

Protestkundgebung zum Weltspartag gegen die geplante Abschaffung der D-Mark.

Es sprechen: **Manfred Brunner**
Dr. Bruno Bandulet
Gastredner: **Prof. Dr. Wilhelm Hankel**
München, 30. 10., 17.00 Uhr, Marienplatz

Wehrt Euch! Sonst kommt der EURO.

Kohl und Waigel wollen die bewährte D-Mark abschaffen. Bereits 1999 soll der Euro kommen. Karl Otto Pöhl, damaliger Präsident der Deutschen Bundesbank, warnte schon 1988: "Die Einführung einer europäischen Währung ist nur vergleichbar mit der Währungsreform 1948."

Jetzt bleibt nur noch wenig Zeit, die Mark zu retten. Jetzt muß die schweigende Mehrheit der Deutschen, NEIN sagen zum dritten Währungsabenteuer in diesem Jahrhundert.

Kommen Sie zur Protestkundgebung am 30. Oktober auf dem Marienplatz. Auch wir wollen Europa. Aber nicht auf deutsche Kosten. Und nicht mit einem schwindelhaften Plastikgeld.

- Wir fordern die Währungshüter der Deutschen Bundesbank auf: Bleiben Sie hart! Sie haben die überwältigende Mehrheit des Volkes hinter sich.
- Wir fordern die Großbanken auf: Machen Sie sich nicht länger zum Komplizen einer Politik, die Ihre Kunden - die Sparer - auf kaltem Wege enteignet.
- Wir fordern den bayerischen Ministerpräsidenten auf: Handeln Sie jetzt! Die CSU kann den Euro stoppen, wenn sie wirklich will. Deutschland wartet auf ein Signal aus München.
- Und wir fragen Helmut Kohl: Wie wollen Sie in die deutsche Geschichte eingehen? Als Kanzler der Einheit oder als Totengräber der Deutschen Mark?

Die Mark muß bleiben. Dafür demonstrieren wir am 30. Oktober auf dem Marienplatz in München

Die Großkundgebung findet auch bei Regen statt.

Bei der Veranstaltung haben Sie Gelegenheit das Volksbegehren
"gegen den EURO"
zu unterschreiben.



Die Freiheitlichen

NEWS: WORLD TRADE

Brussels finesses Danish threat to Cuba law riposte

By Lionel Barber
in Luxembourg

EU foreign ministers last night reached a compromise to prevent a Danish veto wrecking Europe's attempts to counter US laws which penalise foreign companies doing business in Cuba.

After a tense day in Luxembourg, Danish diplomats and the European Commission found a formula which would salvage Europe's counter-measures against the US Helms-Burton law.

The EU has already lodged a complaint against Helms-Burton at the World Trade Organisation in Geneva, but additional counter-measures are seen as a test of Europe's credibility in trade policy.

principle of reprisals against Washington, but claimed that the use of Article 235 of the treaty of Rome compromises its national sovereignty.

Under the compromise, the EU will stick to its original legal base, including the catch-all article 235, to support EU "blocking statutes" against the US. The proposed EU regulation will allow European companies penalised in US courts to claw back damages in European courts.

The compromise will cite references to the 1968 EU Brussels convention which defines the boundaries of national and EU enforcement of judgments in civil and commercial matters.

This will allow the Danes to claim that there is "nothing new" about the EU's use of Article 235 in trade matters, an EU diplomat said.

The Danish government's objections arose because of concern about a court case brought by a Danish citizens' group that accuses Copenhagen of surrendering sovereignty to the EU.

Denmark had come under heavy pressure to drop its opposition to EU retaliation. Diplomats noted that no Danish company was currently being targeted by the Helms-Burton law, which allows naturalised Americans to sue foreign companies "trafficking" in Cuban assets confiscated by the Castro regime.

Mr Niels Helvig Petersen, the Danish foreign minister, had ruled out suggestions that Denmark could abstain from an agreement to go ahead with the EU regulation.

In a move which raised the stakes in the negotiations in Luxembourg, he had declared: "Either we vote Yes or we vote No."

Sir Leon Brittan, EU trade commissioner, said failure by the EU to come up with a response would have sent "a very bad signal to those who wish to interfere in Europe's affairs".

A WTO panel is due to meet on November 20 to rule on EU complaints that the Helms-Burton act - and similar US laws which seek to restrict trade with Iran and Libya - is extra-territorial.

Rocky road lies ahead for China's car industry

Tony Walker on problems besetting a 'pillar of the economy'

China's much-heralded love affair with the motor car has hit a bumpy patch due to an uncertain regulatory environment, punitive taxes, lack of consumer financing and a lingering credit squeeze.

While Mr He Guangyuan, minister of the ministry of machine building, has been trumpeting plans to "refurbish" the automotive sector as a "pillar" of China's economy, the air seems to have been going out of the industry's tyres.

Car manufacturers are operating at about half capacity and stockpiles of unsold vehicles in the first six months stood at 116,000 - more than a third of last year's production of 330,500 vehicles.

Volkswagen, which, with local partners, is responsible for manufacturing more than half China's cars, has run into difficulties with production of its Jetta compact in the northern city of Changchun.

Mr Andreas Meurer, spokesman for VW in Asia, said that production in Changchun would be scaled back this year to 24,000 units from the previously planned 50,000. However, it is not clear the VW-First Automotive Corporation (FAC) joint venture will be able to sell this lower output.

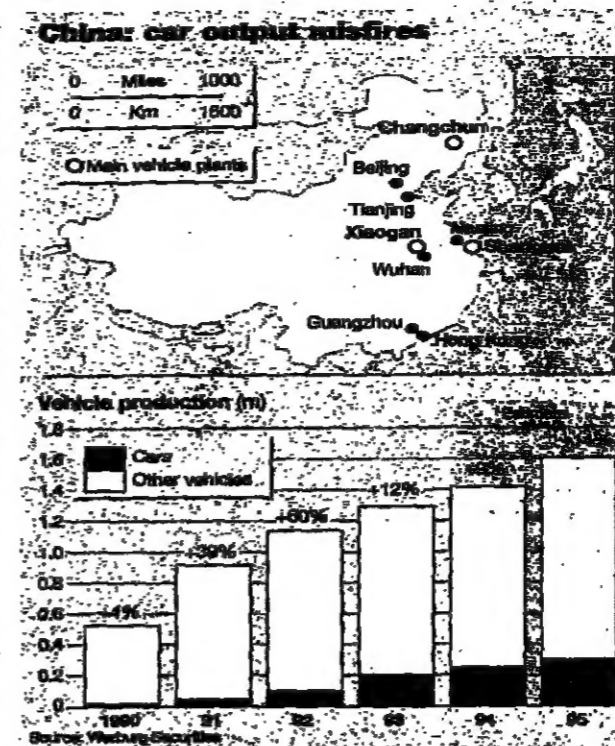
The venture also produces about 10,000 Audis a year. VW's main manufacturing base is in Shanghai, where its 50-50 Daimler-Benz (Daimler) joint venture with the Shanghai Automotive Industry Corporation (SAIC) produced 170,000 Santanas cars in 1995.

China Daily Business Weekly painted a gloomy picture for the VW Daimler joint venture in Changchun. It said an improved national market was urgently needed for the company to take advantage of its newly enlarged production capacity and pay back large loans beginning next year.

The paper quoted Mr Wu Wei, vice president of FAC, one of China's three automotive conglomerates, as criticising a recent decision by the People's Bank of China to suspend a scheme under which purchasers could pay for cars in instalments. He would appeal to Beijing to reconsider the suspension, which was imposed, the bank said, because of concern about inflationary effects and because legal regulations were not in place.

He noted that 80 per cent of cars were sold in the west under hire purchase-type arrangements. Mr Wu was surprisingly outspoken for a Chinese official, reflecting concern at the parlous state of the industry. He also complained that exorbitant taxes had restricted demand for vehicles for years.

Taxes on new cars range as high as 75 per cent of the purchase price in some areas. These levies include a 17 per cent value-added tax, 10 per cent national road tax



also acknowledged that it would be difficult to eradicate because organisations connected with China's security forces were involved in smuggling.

Lagging sales and a slowdown in the automotive sector's growth may affect ambitious plans to step up production to 2.7m units by 2000 and 6m by 2010. Car production was slated to rise to 1.2m by 2000, and 4m by 2010, a tenfold increase. These targets now appear unrealistic.

But representatives of foreign automotive companies, such as Ford, General Motors and Toyota, which are battling to secure a foothold in China, say they regard present difficulties as part of a "teething process".

As the representative of "some reality" may be setting in, but that is not changing the fundamentals that there is tremendous potential here.

China unveiled a new automotive industry policy in 1994 which froze approvals of new car assembly joint ventures until 1997 and envisaged the establishment of two or three major conglomerates supported by a second tier of smaller producers to achieve economies of scale.

In the light of the slowdown in vehicle sales, China may now extend the freeze on new car assembly ventures, according to Mr Yu Xiaosong, a vice minister of the state economic and trade commission. "We have too many car assembly plants. I think new car assembly plants would find difficulties making a profit," Mr Yu said.

But representatives of foreign vehicle producers said that while capacity was now outstripping demand, this situation would not last long and it was doubtful whether Beijing would maintain a ban on new joint ventures for long. "The market can turn around very quickly," said one.

Local manufacturers and their joint venture partners complain bitterly about the smuggling of Mr Martin Posth, president of Volkswagen Asia-Pacific, warned recently the grey market was undermining China's application for membership of the World Trade Organisation. But he

said one.

Local manufacturers and their joint venture partners complain bitterly about the smuggling of Mr Martin Posth, president of Volkswagen Asia-Pacific, warned recently the grey market was undermining China's application for membership of the World Trade Organisation. But he

said one.

Wages in industrialised nations hold up in spite of job losses

Textile shifts fail to reduce pay

By Frances Williams
in Geneva

The International Labour Organisation said yesterday that the dramatic shift in textile, clothing and footwear production from rich to poor countries over the past 25 years has not put downward pressure on wages in industrialised nations in spite of big job losses.

In some developed countries real earnings have actually risen, according to a report prepared for an ILO meeting this week on the impact of globalisation in the textile, clothing and footwear (TCF) industries.

However, the wages gap between TCF workers in high-income and low-income countries has widened, the report says. Germany and Italy, still the world's biggest textiles producers, had hourly labour costs in 1990 of US\$18.40 and \$15.70 respectively, compared with just \$1.70 in Mexico.

Although global employment in TCF industries has increased on balance as jobs have shifted to the develop-

Main exporters of clothing 1986-92				
	1986 (\$bn)	1992 (\$bn)	Variation from 1986 to 1992 (%)	Share of world exports in 1992
1 Hong Kong	8.4	20.1	138	7.6
Exports, local origin	6.7	10.0	50	N/A
2 China	1.7	10.1	490	12.6
3 Italy	2.9	18.7	575	6.4
4 Germany	7.5	12.2	63	5.2
5 Republic of Korea	4.2	8.4	200	5.2
6 France	5.5	8.8	58	3.2
7 United States	2.5	4.2	27	3.2
8 Turkey	0.9	4.2	237	3.1
9 Taiwan	1.2	4.1	-3	3.1
10 Portugal	4.2	4.0	-5	3.1

Source: United Nations COMTRADE database

ing world, a parallel shift of production from the formal to the informal sector has had "generally negative consequences on wage levels and conditions of work".

More and more TCF workers are in part-time or temporary jobs, working at home or in small workshops. The use of child labour has also grown - though the ILO believes the trend may be downward in response to

pressure from consumers' groups and others, and from the ethics codes adopted by several large multinational corporations.

In the clothing industry "the number of clandestine workshops has grown exponentially in recent years," the ILO says, noting that few respect labour laws and many hire illegal migrants. Counterfeiting is also widespread and is estimated to

account for more than 5 per cent of world trade in clothing.

The report puts the number of TCF workers worldwide at 23.6m in the formal sector and "five to ten times" as many in the informal sector. Between 1970 and 1992, the number of TCF jobs in the seven biggest industrialised economies shrank by over 3m or 43 per cent, but this has been more than made up by higher employment in developing nations.

In textiles, industrialised countries remain the biggest producers in spite of a rapid increase in output by some Asian nations. Germany and Italy alone account for a fifth of world exports, with four other industrialised nations - Belgium, France, Japan and the US - among the top 10 exporters.

However, in clothing and footwear, developing nations are now the leading suppliers. "Globalisation of the footwear, textiles and clothing industries, ILO Publications, CB-1211 Geneva 22, \$19.90

WORLD TRADE NEWS DIGEST

Green exports soar in the US

US exports of environmental technology rose 50 per cent between 1993 and 1995 to \$14.5bn, according to the US Commerce Department, which targeted the sector for special government assistance early in the Clinton administration. A special inter-agency group has promoted exports through a combination of technical assistance, training, export promotion and finance. Mr Mickey Kantor, commerce secretary, said exports were responsible for 40 per cent of the industry's 1995 growth.

The US Export-Import Bank has been particularly active in the drive, approving \$1.37bn in financing for "environmentally friendly" projects or products in 1995 alone. Its backing of environmental exports increased 84 per cent - from 26 deals in 1994 to 48 in 1995. Among these, it gave Poland \$30m in medium-term Eximbank-backed financing for US environmental exports to Poland. Eximbank also authorised three tied aid direct loans for a \$12.5m sale of wind energy equipment and services to China Electric Power Technology Import & Export Corporation, the trading company for the electric power ministry in Beijing. Eximbank this year also approved a \$17.5m loan guarantee for equipment and services to rehabilitate six 30-year-old water treatment plants in Venezuela.

Nancy Durne, Washington

Warning on telecom talks

Telecoms companies in Asia and developing economies will be hit hard by failure to conclude an agreement on telecoms liberalisation in the World Trade Organisation, according to Mr Alex Arena, the Hong Kong industry regulator. Mr Arena said failure to agree on liberalisation would lead to the expansion of bilateral agreements, the establishment of a few important international hubs and the diversion of business from Asia. "Some countries will be given a ticket to the dance and others will miss out," he said.

Speaking after the latest round of telecoms talks in Geneva, Mr Arena said the negotiations were delicately balanced. "It is hard to say whether a deal will be achieved," he said. Substantial stumbling blocks remained concerning market access and offers to liberalise markets. The US was still dissatisfied with Asian offers for deregulation. "They feel there are key markets which haven't made offers and in some cases where offers have been made they are not enough."

However, Singapore had improved its offer and he hoped offers from Malaysia and Indonesia would be forthcoming.

John Ridding, Hong Kong

Jordan in WTO entry talks

Jordan said yesterday it hoped to become a member of the World Trade Organisation by the end of next year. Mr Ali Abu-Ragheb, Jordan's trade minister, said WTO entry would help Jordan and the whole region become more integrated into the world economy. Mr Abu-Ragheb, in Geneva for the first meeting of the WTO's working party set up to negotiate Jordan's accession terms, said the country's economic reform programme launched in 1991, and recent and impending legislation, had helped paved the way for WTO membership.

The main areas of difficulty were expected to be intellectual property protection and tariff reductions. Customs duties - which range up to 50 per cent for most goods and up to 200 per cent for cars, alcohol and cigarettes - contributed more than a quarter of government revenues. Despite impending legislation on copyright and patent protection, Jordan would still need a grace period to implement WTO commitments on intellectual property.

Frances Williams, Geneva

World Bank softens criticism of Mercosur

By Guy de Jonquieres

The World Bank has taken the unusual step of publicly defending Mercosur, after a study by one of its senior economists found that the four-nation Latin American trade grouping was severely distorting international trade.

Mr Shahid Javed Burki, vice-president of the Bank's

Latin America and Caribbean region, conceded in a statement that at least some of the study's criticisms were valid. But it said the Bank continued to view Mercosur as "an important and positive initiative".

The statement emphasised that the grouping had boosted trade between its members and was attracting increased foreign invest-

ment. It said "it might not be a bad idea for potential investors in Mercosur to get on board before the train leaves the station."

Mr Burki admitted that some of the fastest growth in intra-Mercosur trade had been in products which could not be sold on world markets because they were not internationally competi-

itive. But he expected the problem to be corrected as Mercosur lowered trade barriers against the rest of the world.

He said Mercosur had enhanced the credibility of economic reforms by its members - Argentina, Brazil, Paraguay and Uruguay - and made it more difficult to reverse unilateral liberalisation.

The grouping would eventually benefit growth in the region.

Mr Burki's statement appears designed to calm political controversy over a recent analysis of Mercosur by Mr Alexander Yess, principal economist in the Bank's international trade division. It found that the arrangement was handicapping member

economies and discriminating against other countries' exports.

The study called its findings "a smoking gun", which appeared "to constitute the most convincing, and disturbing, evidence produced thus far concerning the potentially adverse effects of regional trade arrangements," Martin Wolf, Page 14

India warned on tariff cuts

By Mark Nicholson
in New Delhi

India risks economic "marginalisation" unless it accelerates cuts in tariffs and other trade barriers and further dismantles restrictions on foreign investment.

Mr Anwarul Hoda, deputy director of the World Trade Organisation, said yesterday.

Mr Hoda, a former Indian trade bureaucrat, told a World Economic Forum conference in Delhi that the country's five-year-old trade and investment reforms were not sufficient to keep pace with similar developing countries and that India's competitiveness was suffering.

"The pace has to be quickened because there are other countries which are liberalising even faster," he told the business audience. He said India had to cut relatively high tariffs and outright trade restrictions even in politically sensitive and labour-intensive sectors such as textiles.

"There are hard decisions to be taken and sacrifices to be made, but there is little choice if India wishes to avoid marginalisation," he said.

The WTO's tough stance echoes previous criticism from both the International Monetary Fund and World Bank over India's relatively high tariffs, which they say are among the most restrictive in Asia.

India has cut maximum tariffs from above 300 per cent in 1990 to 50 per cent in 1995, but progress has stalled. Mr P. Chidambaram, finance minister, even levied an additional 2 per cent

"infrastructure fee" on most imports in his last budget, effectively raising India's maximum tariff.

India is also under growing pressure from western and other Asian states to lift a 50-year-old ban on imports of almost all consumer goods. Trade officials said at the weekend they would offer India's trade partners a phased programme of liberalisation in the sector in January.

However, such moves will face strong political resistance from within the 13-party United Front government and Mr Tejendra Khanna, India's trade secretary, has indicated that India will seek a longer phasing of such measures, and a more gradual programme of liberalisation, than its main trade partners are seeking.

Mr H.D. Deve Gowda, India's prime minister, yesterday assured the same forum that the reform programme his government inherited from the previous Congress party regime was both "unstopable and irreversible", but added that his coalition would adopt "an approach of gradualism".

Others at the conference echoed Mr Hoda's criticisms. Mr Martin Posth, chairman and president of Volkswagen Asia Pacific, said India must introduce global quality standards to compete in the world market, and improve infrastructure. It could not rely alone on offering cheap labour and tax incentives to attract foreign investment.

"Cheap labour and tax holidays are no serious reasons for a transnational company to settle in India," he said.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES						JAPAN						GERMANY					
	Real GDP	Industrial production	Unemployment rate	Capacity utilization	Composite leading indicator		Real GDP	Industrial production	Unemployment rate	Capacity utilization	Composite leading indicator		Real GDP	Industrial production	Unemployment rate	Capacity utilization	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3	100.0	100.0	2.6	100.0	78.3	100.0	100.0	7.1	100.0	89.7	100.0	89.7
1986	105.5	100.9	6.9	98.4	95.5	106.5	99.7	2.9	94.3	83.5	103.4	102.2	6.4	136.8	89.4	103.4	89.4
1987	108.5	105.0	6.1	104.2	98.7	113.7	103.1	2.8	108.3	91.0	107.4	102.6	6.2	149.5	90.0	107.4	90.0
1988	113.0	110.7	5.4	104.9	100.3	122.6	113.1	2.5	106.9	96.8	110.5	106.3	6.2	165.1	95.6	110.5	95.6
1989	115.5	112.4	5.2	97.9	99.3	132.8	119.7	2.2	107.0	98.5	114.2	111.4	5.8	219.5	97.7	114.2	97.7
1990	116.2	112.4	5.5	82.7	95.4	141.8	124.5	2.1	148.8	95.4	123.5	117.2	4.8	261.9	98.2	123.5	98.2
1991	119.3	110.4	6.8	61.7	100.4	144.5	126.8	2.1	144.2	92.3	120.5	117.2	4.8	281.9	98.2	120.5	98.2
1992	117.0	114.2	7.4	61.8	105.2	139.9	119.0	2.1	124.2	91.0	122.7	116.4	4.8	287.9	98.1	122.7	98.1
1993	122.2	118.2	6.5	67.7	110.5	151.7	113.6	2.5	106.6	96.9	122.3	109.2	6.1	229.0	98.1	122.3	98.1
1994	128.6	125.1	6.0	79.0	109.0	159.4	114.5	2.6	102.2	104.1	120.4	113.9	6.6	241.1	103.5	120.4	103.5
1995	133.3	129.3	5.5	79.2	113.0	126.5	118.5	3.1	109.5	108.7	121.8	117.4	6.6	241.1	103.5	121.8	103.5
4th qtr 1995	139.1	135.5	5.5	79.4	113.0	130.1	120.1	3.1	109.5	108.7	121.8	117.4	6.6	241.1	103.5	121.8	103.5
1st qtr 1996	140.1	136.1	5.6	79.1	114.6	131.1	121.1	3.2	110.5	109.7	122.8	118.4	6.7	242.1	103.6	122.8	103.6
2nd qtr 1996	141.1	137.1	5.7	78.8	115.2	132.1	122.1	3.3	111.5	110.7	123.8	119.4	6.8	243.1	103.7	123.8	103.7
3rd qtr 1996	142.1	138.1	5.8	78.5	116.2	133.1	123.1	3.4	112.5	111.7	124.8	120.4	6.9	244.1	103.8	124.8	103.8
October 1995	1.2	1.9	5.4	78.6	111.1	1.0	0.9	5.2	108.0	107.4	1.2	1.9	5.2	261.3	100.6	1.2	100.6
November	1.8	1.7	5.5	78.9	111.9	0.0	2.6	3.4	109.8	108.2	—	—	—	263.6	100.7	—	100.7
December	1.5	1.1	5.5	82.5	113.0	0.0	3.7	3.3	111.2	108.0	—	—	—	265.0	100.8	—	100.8
January 1996	2.0	0.6	5.7	79.6	113.9	0.1	3.0	3.4	110.0	106.5	—	—	—	265.5	100.8	—	100.8
February	5.3	2.0	5.5	76.5	114.2	5.5	3.2	3.3	114.6	108.7	—	—	—	267.1	100.8	—	100.8
March	4.7	1.4	5.6	78.1	114.6	8.8	2.9	3.1	107.4	109.8	—	—	—	267.1	100.8	—	100.8
April	4.7	2.6	5.5	74.2	115.4	2.9	3.2	3.4	127.7	109.1	—	—	—	268.6	100.5	—	100.5
May	4.6	3.3	5.5	73.0	116.0	2.3	2.7	3.6	122.4	109.3	—	—	—	268.6	100.5	—	100.5
June	3.2	4.1	5.2	78.7	117.2	4.4	—1.1	3.5	110.3	109.7	—	—	—	268.6	100.5	—	100.5
July	3.7	4.0	5.1	76.7	117.7	10.2	0.6	3.4	129.2	110.1	—	—	—	268.6	100.5	—	100.5
August	3.7	3.8	5.1	75.7	118.7	—	—	—	—	—	—	—	—	268.6	100.5	—	100.5
September	3.5	5.1	—	—	—	—	1.8	3.3	110.4	110.4	—	—	—	268.7	100.8	—	100.8
10th qtr 1995	1.9	1.5	5.5	78.4	113.0	0.5	1.7	3.3	109.5	108.7	—	—	—	267.0	100.7	—	100.7
11th qtr 1995	1.8	1.3	5.6	79.1	114.6	0.5	1.1	3.5	109.7	108.6	—	—	—	267.0	100.7	—	100.7
12th qtr 1995	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
1st qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
2nd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
3rd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
4th qtr 1995	1.2	1.9	5.4	78.6	111.1	1.0	0.9	5.2	108.0	107.4	—	—	—	261.3	100.6	—	100.6
November	1.8	1.7	5.5	78.9	111.9	0.0	2.6	3.4	109.8	108.2	—	—	—	263.6	100.7	—	100.7
December	1.5	1.1	5.5	82.5	113.0	0.0	3.7	3.3	111.2	108.0	—	—	—	265.0	100.8	—	100.8
January 1996	2.0	0.6	5.7	79.6	113.9	0.1	3.0	3.4	110.0	106.5	—	—	—	265.5	100.8	—	100.8
February	5.3	2.0	5.5	76.5	114.2	5.5	3.2	3.3	114.6	108.7	—	—	—	267.1	100.8	—	100.8
March	4.7	1.4	5.6	78.1	114.6	8.8	2.9	3.1	107.4	109.8	—	—	—	267.1	100.8	—	100.8
April	4.7	2.6	5.5	74.2	115.4	2.9	3.2	3.4	127.7	109.1	—	—	—	268.6	100.5	—	100.5
May	4.6	3.3	5.5	73.0	116.0	2.3	2.7	3.6	122.4	109.3	—	—	—	268.6	100.5	—	100.5
June	3.2	4.1	5.2	78.7	117.2	4.4	—1.1	3.5	110.3	109.7	—	—	—	268.6	100.5	—	100.5
July	3.7	4.0	5.1	76.7	117.7	10.2	0.6	3.4	129.2	110.1	—	—	—	268.6	100.5	—	100.5
August	3.7	3.8	5.1	75.7	118.7	—	—	—	—	—	—	—	—	268.6	100.5	—	100.5
September	3.5	5.1	—	—	—	—	1.8	3.3	110.4	110.4	—	—	—	268.7	100.8	—	100.8
10th qtr 1995	1.9	1.5	5.5	78.4	113.0	0.5	1.7	3.3	109.5	108.7	—	—	—	267.0	100.7	—	100.7
11th qtr 1995	1.8	1.3	5.6	79.1	114.6	0.5	1.1	3.5	109.7	108.6	—	—	—	267.0	100.7	—	100.7
12th qtr 1995	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
1st qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
2nd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
3rd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
4th qtr 1995	1.2	1.9	5.4	78.6	111.1	1.0	0.9	5.2	108.0	107.4	—	—	—	261.3	100.6	—	100.6
November	1.8	1.7	5.5	78.9	111.9	0.0	2.6	3.4	109.8	108.2	—	—	—	263.6	100.7	—	100.7
December	1.5	1.1	5.5	82.5	113.0	0.0	3.7	3.3	111.2	108.0	—	—	—	265.0	100.8	—	100.8
January 1996	2.0	0.6	5.7	79.6	113.9	0.1	3.0	3.4	110.0	106.5	—	—	—	265.5	100.8	—	100.8
February	5.3	2.0	5.5	76.5	114.2	5.5	3.2	3.3	114.6	108.7	—	—	—	267.1	100.8	—	100.8
March	4.7	1.4	5.6	78.1	114.6	8.8	2.9	3.1	107.4	109.8	—	—	—	267.1	100.8	—	100.8
April	4.7	2.6	5.5	74.2	115.4	2.9	3.2	3.4	127.7	109.1	—	—	—	268.6	100.5	—	100.5
May	4.6	3.3	5.5	73.0	116.0	2.3	2.7	3.6	122.4	109.3	—	—	—	268.6	100.5	—	100.5
June	3.2	4.1	5.2	78.7	117.2	4.4	—1.1	3.5	110.3	109.7	—	—	—	268.6	100.5	—	100.5
July	3.7	4.0	5.1	76.7	117.7	10.2	0.6	3.4	129.2	110.1	—	—	—	268.6	100.5	—	100.5
August	3.7	3.8	5.1	75.7	118.7	—	—	—	—	—	—	—	—	268.6	100.5	—	100.5
September	3.5	5.1	—	—	—	—	1.8	3.3	110.4	110.4	—	—	—	268.7	100.8	—	100.8
10th qtr 1995	1.9	1.5	5.5	78.4	113.0	0.5	1.7	3.3	109.5	108.7	—	—	—	267.0	100.7	—	100.7
11th qtr 1995	1.8	1.3	5.6	79.1	114.6	0.5	1.1	3.5	109.7	108.6	—	—	—	267.0	100.7	—	100.7
12th qtr 1995	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
1st qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
2nd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
3rd qtr 1996	4.2	3.5	5.4	78.3	113.2	—	—	—	106.4	109.7	—	—	—	270.5	100.9	—	100.9
4th qtr 1995	1.2	1.9	5.4	78.6	111.1	1.0	0.9	5.2	108.0	107.4	—	—	—	261.3	100.6	—	100.6
November	1.8	1.7	5.5	78.9	111.9	0.0	2.6	3.4	109.8	108.2	—	—	—	263.6	100.7	—	100.7
December	1.5	1.1	5.5	82.5	113.0	0.0	3.7	3.3	111.2	108.0	—	—	—	265.0	100.8	—	100.8
January 1996	2.0	0.6	5.7	79.6	113.9	0.1	3.0	3.4	110.0	106.5	—	—	—	265.5	100.8	—	100.8
February	5.3	2.0	5.5	76.5	114.2	5.5	3.2	3.3	114.6	108.7	—	—	—	267.1	100.8	—	100.8
March	4.7	1.4	5.6	78.1	114.6	8.8	2.9	3.1	107.4	109.8	—	—	—	267.1	100.8	—	100.8
April	4.7	2.6	5.5	74.2	115.4	2.9	3.2	3.4	127.7	109.1	—	—	—	268.6	100.5	—	100.5
May	4.6	3.3	5.5	73.0	116.0	2.3	2.7	3.6	122.4	109.3	—	—	—	268.6	100.5	—	100.5
June	3.2	4.1	5.2	78.7	117.2	4.4	—1.1	3.5	110.3	109.7	—	—	—	2			

Hard decisions go unmade in Ecuador

Bucaram is singing a confusing song to would-be foreign investors, writes Justine Newsome

President Abdala Bucaram of Ecuador gave an elaborate luncheon this month for Ms Lorena Gallo, an Ecuadorian who achieved notoriety in the US in 1993 by severing the penis of her husband, Mr John Wayne Bobbit. A day later, due to attend an important conference and reception for foreign investors, Mr Bucaram and his energy minister failed to turn up.

Mr Bucaram may have been miffed: the Economist magazine had organised the conference and on the first day a representative from its EIU subsidiary explained why Ecuador deserved its "D" risk rating, putting it on a par with sub-Saharan Africa.

But the president's no-show was only the latest of a series of confusing signals that Mr Bucaram has sent to foreign investors. Local entrepreneurs and Ecuador's population about the government's economic plans.

An economic programme, already twice postponed, is now expected to emerge in mid-November. But it is not clear how it will reconcile Mr Bucaram's high-spending campaign promises with his economic team's subsequent pledges of fiscal discipline.

promotion of foreign investments, economic modernisation and institutional reform.

After Mr Bucaram's July election victory, business was reassured by his appointment of financiers to economic posts, the ratification of the internationally respected Mr Augusto de la Torre as head of the central bank, and the announcement of a commitment to strict fiscal discipline.

The initial outlook for the economy was reasonably positive. An eight per cent devaluation of Ecuador's currency, the sucre, on August 12 cut speculation over a future devaluation.

This helped to ease pressure on interest rates and allowed the government to buy dollars in the foreign exchange market, injecting liquidity into a struggling financial sector. With oil export revenues also buoyant thanks to higher prices, foreign reserves recovered from \$1.5bn to a record \$1.8bn earlier this month. Inflation meanwhile has accelerated slightly, partly for seasonal reasons, to 25 per cent in September.

The government's main stated aims are to reactivate the economy and reduce poverty. Real GDP growth was a



Bucaramalamingdong: the populist president promotes his own rock record. Photograph by Reuters

sluggish 2.3 per cent in 1995, while up to two thirds of Ecuador's 11.6m population is classified as poor.

Mr Bucaram has already launched subsidised milk and food programmes and a popular housing scheme. In the short term, the government must tackle a public sector deficit of around 3 per cent of GDP for 1996, inherited from the previous administration. Then Mr Pablo Concha, finance minister, aims to balance the 1997

budget, to be sent to Congress on Thursday.

Ecuador may re-enter the international capital markets in order to improve its debt profile.

Debt service accounts for around 55 per cent of government spending. The emphasis will be on foreign borrowing so as not to push interest rates up again and withdraw liquidity from the financial sector, said Mr de la Torre and Mr Alvaro Noboa, presi-

dent of the monetary board. Accord with the International Monetary Fund is needed, not least as a prerequisite to renegotiate Ecuador's Paris Club debt, on which it is running arrears of \$300m.

Mr de la Torre said he expected the priority in public investment to shift to housing, education and health. The emphasis should be on institutional reforms, to increase the efficiency of expenditure and to gain the

confidence of foreign and domestic investors.

The finance ministry is considering the subsidy on gas, restructuring electricity and telephone tariffs, removing exemptions on value added tax and revisiting public sector wage policy. A programme of concessions of public works, such as road building and maintenance, is also set to release resources. Privatisation of 35 per cent of the state telecommunications company, Emetel, is scheduled for April 1997.

But while these changes are being discussed, foreign investors are receiving a quite distinct message.

In August, the government attempted unilaterally to terminate a contract with oil company Maxus. In September, Mr Bucaram backed away from eliminating the gas subsidy, because of its impact on poorer voters. Under pressure from unions, an electricity privatisation bill passed by Congress last month was also put on hold.

There are still potential investors who regard the administration's enthusiasm to attract foreign investment as genuine. But the worry remains about Mr Bucaram's lack of enthusiasm for politically unpopular reforms.

AMERICAN NEWS DIGEST

US car accord deadline missed

General Motors and the US United Auto Workers union failed to meet a deadline of midnight on Sunday to finalise a new three-year labour accord. Negotiations were due to resume later yesterday amid signs the two sides remained on track for a peaceful conclusion.

The deadline had been set by Mr Stephen Yokich, president of the UAW, in what was seen as an attempt to pressure GM to agree to more of the union's demands on outsourcing. The passing of the deadline leaves the US's biggest carmaker open to plant-level stoppages or even a full national strike if it cannot reach an early agreement. The two sides are believed to have agreed in principle to a framework agreement similar to those already adopted at Ford and Chrysler. Negotiations are continuing on details which could have a big effect on the impact of the contract. The industry-wide pattern agreement extends job security to 95 per cent of UAW members, but some plants or workers may be left out of the calculation.

Richard Waters, New York

Canada banks to cut rate

Canada's banks will shave their prime lending rate today from 5.25 per cent to 5 per cent, the lowest level in four decades.

The cut, the third in the past month, reflects aggressive action by the Bank of Canada to stimulate weak domestic demand, as well as a bullish mood towards Canada in financial markets.

A combination of low inflation, record trade surpluses and improving public-sector finances have enabled Ottawa to pursue monetary policies relatively independent of the US Federal Reserve.

US banks charge a prime rate of 6.25 per cent. The yield on Government of Canada 10-year bonds last week slipped below equivalent US Treasury securities for the first time in over a decade.

The Canadian dollar took the latest interest-rate cut in its stride, rising slightly yesterday morning to about 74.30 US cents.

Bernard Simon, Toronto

Coalition wins in Chile

Chileans voted for the status quo in nationwide municipal elections on Sunday, with the ruling centre-left coalition taking 56 per cent of the votes, up 3 points on its share in the last municipal elections in 1992.

With 96 per cent of the results in, the rightwing opposition coalition, Union for Chile, also had reason to be pleased, with a 3-point rise in its vote to 33 per cent.

The results are being read as changing the balance in both coalitions, where parties and politicians are already jockeying for position for the 1997 congressional elections and then the 1999 presidential poll.

On the right, the junior Independent Democrat Union, UDI, celebrated the re-election of one of its leaders, Mr Joaquín Lavín, with a massive 77 per cent of the votes in Las Condes, Santiago's and Chile's richest municipality. He will now be frontrunner as the right's presidential candidate.

In the ruling coalition, the Socialists and the Party for Democracy, PPD, rejoiced over a joint 23 per cent of the vote, which puts them within 3 points of the hitherto-unchallenged Christian Democrats, and reinforces the position of their leader, Mr Ricardo Lagos, the minister for public works.

Imogen Mark, Santiago

Consortia awarded Falklands oil licences

By Robert Corzine

Falkland Island officials say yesterday's award of oil exploration licences reflects "a balanced cross-section of the oil exploration industry", in spite of the exclusion of an Argentine company.

Those companies selected to explore the area north of the islands are from the UK, North America, Europe and Asia, as well as Desire Petroleum, a group formed in part to represent the interests of the Falkland Islanders.

Shell, the Anglo-Dutch group and the western world's largest oil company,

and its partner, Agip of Italy, are expected to spend about a quarter of the \$200m that the winning consortia will commit in total over the next five years.

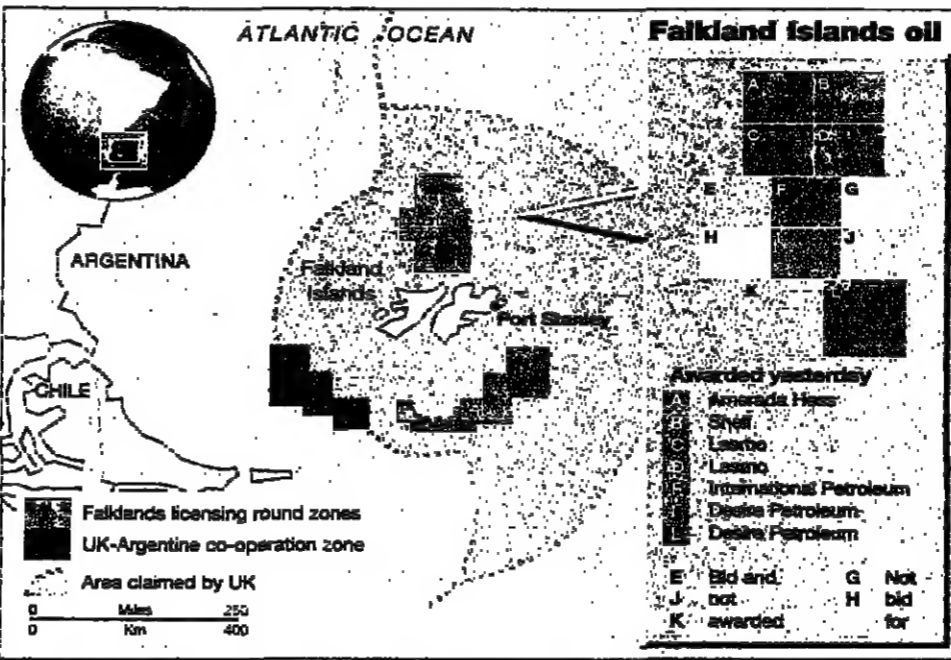
Shell won the rights to explore in Tranche B, which along with Tranche A proved to be the most sought-after area.

Amerada Hess, the US company which is the fifth largest producer in the UK sector of the North Sea, will operate the Tranche A licence, which also includes Fiza of Belgium.

Industry analysts say that the presence of many rela-

tively small companies in the winning consortia should not be a constraint on exploration.

Although the results of the licensing round suggest a high degree of international interest in the Falklands, analysts warn against undue optimism. They point to the industry experience in the deep water west of the Shetland Islands in the UK, the area most often compared to the Falklands. More than 21bn (\$1.58bn) was spent in exploration west of the Shetlands over more than 15 years before any fields proved commercially viable.



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NEWS: AMERICA PREPARES TO VOTE

As Clinton looks set for victory, FT writers examine his party's wider hopes for November 5

Can the Democrats carry Congress too?

One year ago, it was commonplace to believe that the last US election before the millennium would be among the most important of the 20th century.

It appeared to pose a choice between the radical conservative revolution that had helped propel Republicans into control of Congress in 1994 for the first time in 40 years, and a fragile status quo represented by President Bill Clinton and the Democratic party, who once justifiably considered themselves the architects of change.

Mr Ross Perot's new Reform party also threatened to complicate matters for the two main parties.

Whenever Congressman Newt Gingrich, the Speaker of the House, confidently declared, as he frequently did, that it took two elections to bring about a real revolution, dissent was muted and Democrats mostly quaked in their boots. Now the choice confronting the American people a week today looks much less cosmic. The Gingrich-led charge has been repulsed, defeated by its own hubris, skilful defence by Mr Clinton and his party, and an economy healthy enough to make any incumbent blush.

The Republicans, divided every which way between a hard right and a soft middle, were unable to come up with a presidential contender capable of energising and uniting the party. Instead they saddled up an old war horse, the 73-year-old Bob Dole from Kansas, a man to whom honourable compromise was an art form during 35 years in Congress but who, as a candidate, could never compete with a man 32 years his junior and one of the most gifted campaigners in memory.

Mr Perot has also disappeared from most political radar screens, familiarity with his eccentricities – less evident in 1992 – having bred something close to indifference.

Thus, unless every poll and pundit and all intuitions are hopelessly wrong, Bill Clinton will beat Bob Dole next week. Doubt centres only on the margin of victory, which could be as big as the landslides of 1936, 1972

and 1984 or be respectably solid, sufficient to permit Mr Dole to retire with dignity.

A Clinton victory will be hailed as "historic" because no Democratic president since Franklin Roosevelt in 1936 has been re-elected to a second term. Given the personal travails of his first four years, that would also be a remarkable achievement.

But, as it currently stands, the real significance has shifted to the battle for control of Congress, now run by the Republicans with margins of 53-47 in the Senate and 235-198 in the House. The lower chamber also has one vacancy and a sole unaffiliated member, Mr Bernie Sanders, the socialist from Vermont, who invariably votes with the Democrats.

It is devilishly difficult to predict the outcome in either chamber. General factors seem evenly balanced. On the one hand, a nation at peace and with its economy robust should help all incumbents and could preserve the Republican majorities. On the other, while Mr Dole apparently has no cost tails for Republican candidates to cling to, Mr Clinton may prove to have some, winning marginal seats for his party.

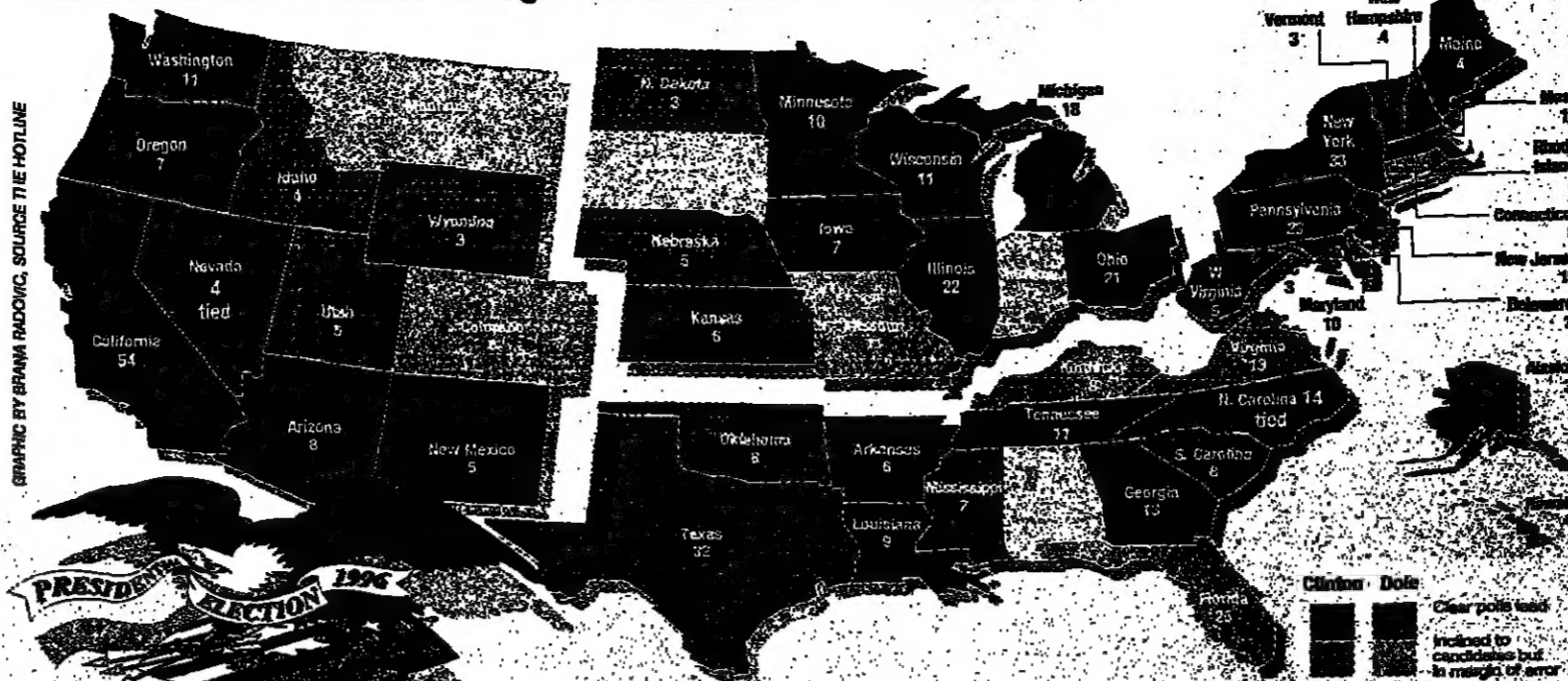
But there is also evidence that Americans are comfortable with a divided government – a president of one party, Congress at least partly run by the other – though how this may be quantified in individual races is unanswerable.

This year 34 of the 100 Senate seats will be determined – 19 now held by Republicans, 15 by Democrats. But the number of Democratic retirements (eight) outnumbers Republicans (six). Battles for these "open" seats will be especially critical.

One, the Alabama Democratic seat held by Mr Howell Heflin, seems likely to go Republican. Also very much in play are the Democratic seats in New Jersey (formerly Bill Bradley), Arkansas (David Pryor), and Louisiana (Bennett Johnston). The Republicans also have hopes in Georgia (Sam Nunn) but now fading ones in Illinois (Paul Simon).

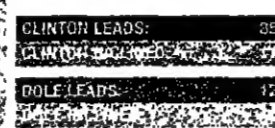
Apparently vulnerable Republican seats vacated by retirement include Colorado

The battle for electoral college votes: who leads and where



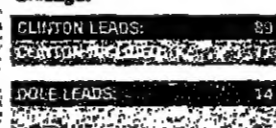
The West

The Pacific coast states look solid for Clinton, with California the one that matters most. Remarkably, polls put him ahead in Arizona, which has the longest unbroken string, since 1948, of electing Republicans. Dole strongest in smaller mountain states (Idaho, Wyoming, Utah). Democrats aim to pick up 10 House seats in California and Washington. Close Senate races in Colorado, Oregon and possibly Wyoming, all held by retiring Republicans.



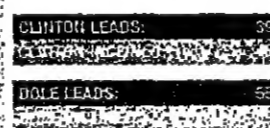
The Midwest

Once considered Dole's must-win region, the big industrial states are leaning heavily towards Clinton, except Indiana. Dole has home-state Kansas in his pocket, plus Nebraska and maybe both Dakotas in the prairies, but his old Kansas Senate seat is in some jeopardy, and once-threatened Democratic seats in Illinois, Minnesota and Michigan now look safer. Several House Republican freshmen face tough re-elections. Democrats set to retake convicted Congressman Dan Rostenkowski's old district in Chicago.



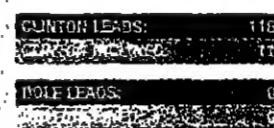
The South

Now the Republican heartland, the Dole camp even has hopes of carrying Tennessee, home of Vice-President Gore. But all eyes are on Texas and Florida, which, despite poll leads by Dole and Clinton respectively, remain close, and on Virginia, surprisingly leaning to Clinton. Good chances of Republican Senate gains in Alabama, Louisiana, possibly Georgia, and even Clinton's Arkansas, and for new House seats scattered across the region, especially in Texas.

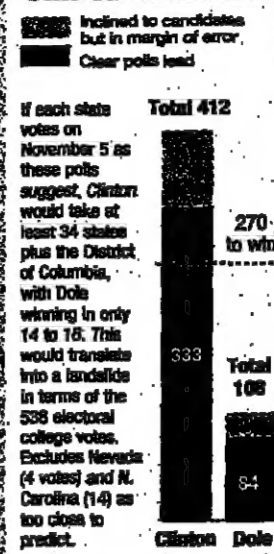


The East

Looks like a 12-state Clinton sweep, plus Washington, DC. That could cost Republicans Senate seats in Maine and New Hampshire, plus the governorship of New Hampshire. But two key Senate races, both with Democratic incumbents, seem immune to regional trends – John Kerry against Republican Governor Bill Weld in Massachusetts, and possibly Robert Torricelli against Republican Dick Zimmer in New Jersey. Some Republican House freshmen vulnerable in New York, New Jersey and Pennsylvania.



Clinton landslide?



(Hank Brown), Kansas (Bob Dole's interim replacement lost in the primaries), Maine (William Cohen), Oregon (Mark Hatfield) and, less likely, Wyoming (Alan Simpson).

Not all incumbents are safe. Hard-pressed Democratic senators include Paul Wellstone (Minnesota) and John Kerry (Massachusetts) while among endangered Republicans are Bob Smith (New Hampshire) and Larry

Pressler (South Dakota). Even Republican Senator Jesse Helms of North Carolina, bidding for a fifth term, is not entirely out of the woods against Mr Harvey Gantt, the black former mayor of Charlotte.

The remaining 18 – 11 Republicans and seven Democrats – offer fewer prospects of upsets. That means the Democrats will need to win most of the close races to recover their majority –

the required net gain is three, assuming vice president Al Gore can cast tie-breaking votes, as per the constitution.

The 435-member House is even tougher to call. It features 52 open seats, 29 of them vacated by Democrats. But 70 of the 74 Republican freshmen class of 1994 will be seeking their first re-elections, more than 20 of them defending slim majorities.

Needing a net gain of 19, the Democrats seem to have their best regional hopes on the west coast. At least five Republican seats in California – including, if he is to be believed, that of the unrepentant rightwinger, Bob Dornan – are under serious threat. So may be all five wrested from Democrats in Washington state two years ago.

Mr Clinton's coat-tails may also help more than most in

the north-east, where he holds some commanding leads, but elsewhere local and regional factors are likely to be predominant. In Texas, for example, and a few southern states Republican control is becoming more entrenched.

It is also worth remembering that only in the Johnson and Reagan landslides of 1964 and 1980 has the victorious presidential candidate been able to produce sub-

stantial gains for his party in the House.

The third tier of elections next week concerns state governorships, though only 11 of the 50 are at stake, all in small to medium-sized states. The current line-up has 32 Republicans and 18 Democrats, with 1994 producing an unprecedented net gain of 10 for the Republicans.

The picture is unlikely to change much, because seven of the 11 contests are for Democratic-held seats. The Republicans could pick up Indiana, where Governor Evan Bayh cannot run for another term, and conceivably lose New Hampshire, where Stephen Merrill is retiring. But all seven incumbents seem assured of being returned.

Elections will also be held across the country for state and local governments and offices. The most widely watched will be in California, where the Republican majority in the assembly is the bare minimum – one seat.

Ballots will be littered with propositions, mostly local but some with potential national public policy consequences.

The most obvious are in California, which will vote on the abolition of state involvement in affirmative action programmes, and Colorado, which is being asked to tax church and charitable real estate holdings and has a highly controversial "parental rights amendment" sponsored by Christian and other conservatives.

The presidential election also has an impact on the federal bench. At least two Supreme Court justices, including Mr William Rehnquist, the chief, are contemplating retirement. The next president, therefore, will have the opportunity further to shape the Court in his image long after he has disappeared from the scene.

But it all amounts, barring the totally unpredicted, to an election much less far-reaching in its impact than once seemed likely. For the American public, one revolution (the 1770s) and one civil war (the 1860s) may be enough for most millennia.

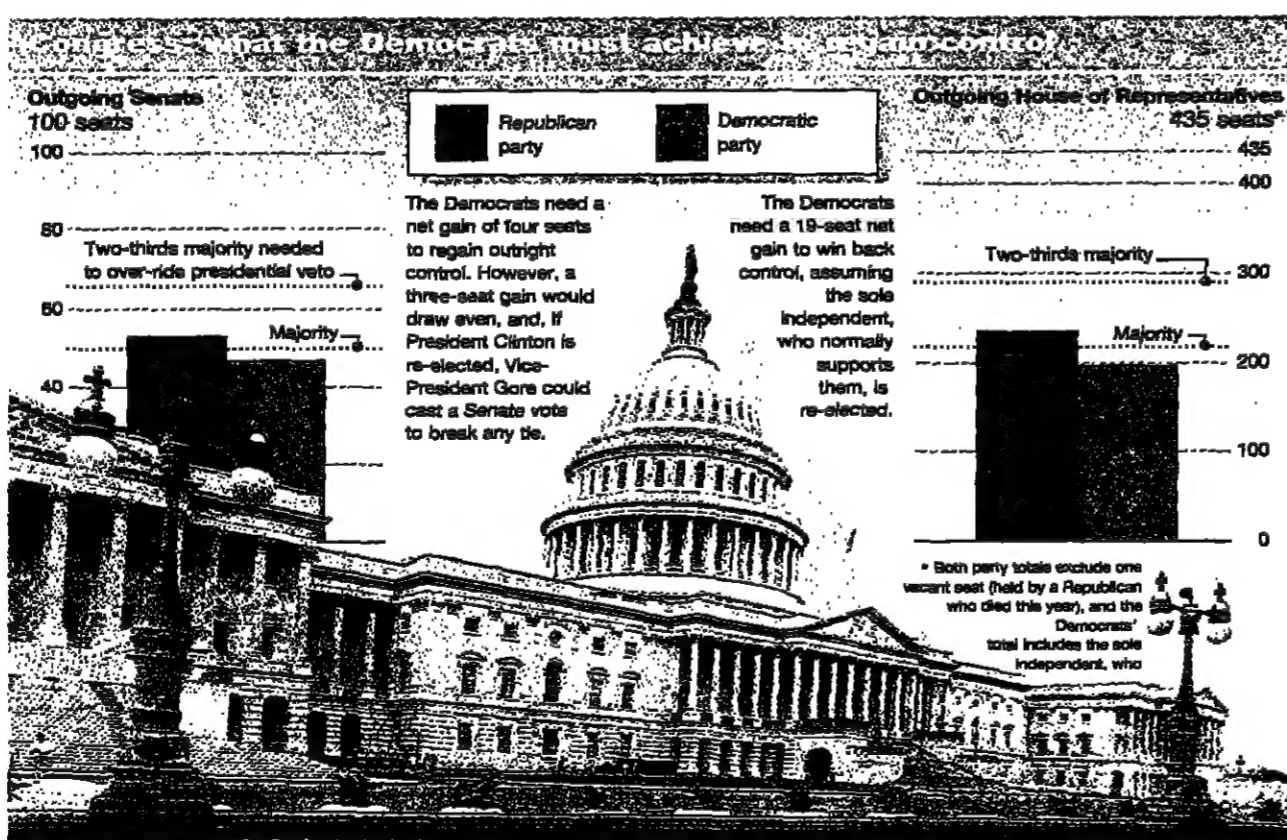
Jurek Martin

'Bill Clinton in a dress' leads labour bid to re-enter politics

The competition calls her "Bill Clinton in a dress" – Ms Debbie Stabenow is a flamboyant, female version of the campaigner-in-chief, fighting to unseat an incumbent Republican in one of the toughest congressional races in the nation.

But she is relying on more than Clintonesque charisma to propel her to victory in a district which the Democrats must win if they are to regain control of Congress, and which the Republicans cannot afford to lose. This matronly mother of two has big money to bolster her Democratic message – money from big labour.

Never mind that she is the kind of "new" Democrat who is as likely to vote for tax cuts as for minimum wage rises; or that this veteran state legislator has never been cozy with unions in the past. Labour needs her now to help reverse the tide which brought ultra-conservative Republicans like her opponent, Mr Dick Chrysler, to Congress in 1994. With the nickels and dimes of its members – 15 cents per member per month, according to the AFL-CIO, the



giant labour federation – and with tens of thousands of hours of their donated time, labour plans to win the counter-revolution.

Union organisers blame themselves in part for 1994: with the union movement languishing in self-doubt, and little time or money spent on politics, union members deserted their traditional party, the Democrats, and voted 40 per cent Republican. But the Republican Congress proved too radical for many, provoking a retreat to the Democratic party, which now commands 46 per cent support among union members, against 24 per cent for Republicans.

A reinvigorated union leadership has exploited that shift to make labour a force in national politics for the first time in a generation. If the right is defeated at the polls next Tuesday, it will be – at least in part – because of an unprecedented counter-mobilisation of the left.

This began months ago, when the AFL-CIO said it would spend \$35m to buy television advertising in 75 "swing" congressional districts with high union membership nationwide, the fig-

ure is only 15 per cent) and with an "anti-worker" congressman. The money was to be spent "educating" members about the coming poll, not campaigning for specific candidates. Federal election law allows unions to spend an unlimited amount on such "issues advocacy" – so long as they avoid endorsing a candidate.

But the fine line between educating and electioneering is often crossed, not least in the 8th Congressional district in Michigan, scene of the Chrysler-Stabenow battle. "We've never said 'don't vote for Dick Chrysler, vote for Debbie Stabenow'," says Ms Barbara Smith, AFL-CIO campaign co-ordinator in the district, which takes in car plants and rural farms. She has been directing a corps of 250 union volunteers to "educate" members on the evils of the 104th congress.

"Right now, we're calling every member we can find to mobilise the vote," she says, noting that labour hopes to reach 50,000 of its 66,000 district members – and that Mr Chrysler won the district by only 14,000 votes in 1994. Ms Smith insists this is not a partisan effort: "We say,

vote for whomever you want, but do vote." But the hundreds of union members expected to take holiday leave to join the Stabenow campaign will operate under no such constraints.

They can distribute campaign literature, or help plant groves of little foot-high yard signs proclaiming the simple word "Debbie!" on central Michigan's front lawns, without attracting the attention of the Federal Electoral Commission.

But if the unions have found ways around the campaign finance laws in retail politics, they have done the same in the wholesale realm. They are not allowed to advertise for Ms Stabenow, so instead they advertise against Mr Chrysler.

Business mobilised a tardy counter-attack, running ads denouncing the unions. "The big labour bosses. Big money. Big lies. Big liberals," said the announcer. But Mr Chrysler says the business response was nothing but "a pimple on a giant's derriere". In the public mind, the image of an elderly grandmother pleading with viewers not to let multi-millionaire Dick

Chrysler cut her Medicare health insurance is the more powerful.

"That's the real story of 1996 – coercing union dues out of working people," says Mr Chrysler, who alleges an "unprecedented power grab by the union bosses in Washington to take back control of Congress". Union officials acknowledge some complaints about use of dues for political purposes, but say polls show members support their campaign by a 6:1 margin.

Union money, and the innate campaign skills of the Democratic candidate, may yet propel Ms Stabenow to victory. But both sides agree the race is too close to call.

So tonight, like every night until November 5, union members will be manning phone-banks to turn out the labour vote for Stabenow. And if the thickets of little yard signs are anything to go by, she may yet win. Even in the main street of Mr Chrysler's home town, Brighton, the signs cry out "Debbie!" Clinton in a dress, hoping for a ride on the presidential coat-tails.

Patti Waldmeir

WHERE THEY STAND

Clear distinctions

Of necessity, President Bill Clinton and Mr Bob Dole must cast themselves on the opposite sides of virtually every public policy issue. Each has tended to portray the other's positions in the most negative light, but clear distinctions are very visible.

The economy. Mr Clinton's prescription is not to rock a steady boat. He professes to believe in a balanced federal budget but thinks it can be achieved gradually by continuing policies that have brought about a reduction from about \$300bn (£187bn) to less than \$120bn since he took office. He favours targeted middle-class tax cuts, for educational purposes and for homeowners, worth about \$20bn over five years.

Mr Dole is a convert to Reagan-style supply side economics. He advocates a 15 per cent across-the-board income tax cut, a halving of capital gains tax rates and other cuts totalling \$550bn. Growth, he says will take care of the deficit but favours a constitutional amendment to balance the budget.

Foreign policy, the forgotten issue of the campaign, rarely raised by either. Mr Clinton is running mostly on his record of careful but determined US involvement in global trouble spots (Bosnia, Northern Ireland, the Middle East). Last week he committed the US to expansion of Nato by 1999. He frequently cites the achievements of tough market-opening agreements with US trading partners.

Mr Dole, who supported US troop deployment in Bosnia and the Nafta and Gatt trade agreements, mostly complains that weak US leadership under Mr Clinton has undermined international confidence. He

wants faster Nato expansion, an expanded missile defence capability extended to US allies, a bigger Pentagon budget, and an even more aggressive trade policy.

Education has emerged as a real factor in the election, a reflection of national concern over standards. The Clinton goal is that every eight-year-old should know how to read, every 12-year-old how to log on to the Internet and every 18-year-old be guaranteed a place in college. He stands for tuition tax credits and expanded student loans from the government, with longer repayment periods.

Mr Dole wants to abolish the federal Department of Education, turning control back to states and parents, increase bank lending for student finance and introduce nationally tuition vouchers and a federal-state programme of "opportunity scholarships" for private schools. He would dismantle AmeriCorps, Mr Clinton's prized national service scheme. A favourite target has been the largest teachers' union, which he accuses of liberal bureaucracy run riot.

Health, pensions and welfare: This hairy perennial trio has attracted more negative advertising from both camps, than almost any other subject. Mr Clinton, having failed to reform the whole national health system in 1994, claims Medicare (for the old) and Medicaid (for the poor and disabled) can be preserved through careful cost controls without reducing essential services and coverage.

He says Republican tax cuts could only be paid for by deep cuts in both programmes. After two vetoes, he signed the

Republican welfare reform bill, but promises to "improve" it in a second term, and insists the social security system (pensions) is financially viable well into the future.

Mr Dole insists the president wants to impose a massive new federal bureaucracy on healthcare and distorts Republican positions on Medicare and Medicaid, both of which, he says, will go bankrupt without radical reform. He broadly advocates state rather than federal control, wherever feasible. He favours expanded private retirement accounts.

Crime: Mr Clinton has gone to great lengths to rebut the conventional Republican accusation that all Democrats are soft on criminals. The president not only touts the Brady bill, restricting handgun sales, and his programme to put 100,000 more policemen on the beat but also advocates constitutional if vague guarantees for the victims of crime, as does Mr Dole.

The Dole counter is to doubt the effectiveness of new handgun controls and statistics showing crime going down. He also opposes the ban on the sale of semi-automatic assault weapons. But his sharpest charge is that Mr Clinton has abandoned the war against narcotics.

The environment appears to be working heavily in Mr Clinton's favour, mostly as a reaction to Republican attempts in Congress to encourage many regulations and the national parks system. He regularly cites toxic waste programmes, clean air and water improvements and wilderness protection. Mr Dole mostly complains, if at all, about the heavy bureaucratic federal hand.

Jurek Martin

US Mideast envoy fails to seal pact

By Judy Dempsey in Jerusalem and Lionel Barber in Luxembourg

Mr Dennis Ross, the US co-ordinator to the Middle East peace talks, yesterday returned to Washington, apparently unable to seal an agreement for the Israeli troop redeployment from the West Bank town of Hebron.

His departure coincided with the start of a week-long visit to Europe by Mr Yasser Arafat, president of the Palestinian Authority, and the appointment of Mr Miguel Angel Moratinos, a Spanish diplomat, as the European Union's special envoy to the Middle East.

The appointment raises Europe's diplomatic profile in the region alongside the US. It follows a sustained campaign by France for a greater European role in the peace process.

EU foreign ministers meeting in Luxembourg gave Mr Moratinos the mandate to observe the peace process, establish relations with Israeli and Palestinian negotiators, and to report on possible EU actions.

Mr Moratinos, 45, a career diplomat and Middle East expert, was appointed Spanish ambassador to Israel last June. He took part in the 1991 Madrid peace conference and was previously director general of foreign policy for Africa and the Middle East.

Israel last night said it would welcome any EU envoy, but added it could not see what contribution he could make beyond what the US was doing.

Under pressure from President Jacques Chirac of France, the EU has assumed a more active diplomatic role, partly to counter what Paris believes is an excessively pro-Israeli stance in Washington but also to reflect Europe's substantial financial assistance to the Palestinians.

EU officials emphasised that the appointment of Mr

Moratinos was not intended to challenge the US brokering role in the region or to establish a new negotiating presence alongside Mr Ross.

In a statement before his return to the US where he will consult with Mr Warren Christopher, the secretary of state, Mr Ross said the "parties have narrowed the gaps significantly on the security issue" for the Jewish settlers in Hebron.

He added that the past four weeks of talks had begun to "rebuild trust and confidence in each other and to resolve many of the key differences standing in the way of implementation of the [1995 Israeli-Palestinian] Interim Agreement".

Palestinian negotiators

The Bank of Israel yesterday reduced its key lending rate for November by 0.3 points to 15.2 per cent.

disappointing the business community, which has been calling for greater rate cuts as well as devaluation of the shekel.

The small reduction confirms the central bank's determination not to bow to pressure from exporters until the budget deficit is further reduced.

point out that Israeli demands on the security issue breach the agreement, particularly the question of "hot pursuit" which, if ever agreed, would give Israeli soldiers the right to enter Palestinian-ruled territory.

The stalemate in the talks is leading the defence ministry to press for a larger slice of next year's budget.

After meeting Mr Benjamin Netanyahu, the Israeli prime minister, last week defence chiefs requested an additional \$1bn to prepare the army for a possible war against Syria. But Mr Yitzhak Mordechai, the Israeli defence minister, who is considered one of the less hawkish Likud ministers, said the diplomatic option must be kept open.

to EU involvement than he had proclaimed publicly.

They say France is working closely and successfully with the US in the surveillance committee set up last spring to oversee the truce in Lebanon between Israeli forces and those of the Hizbollah guerrillas.

The diplomats claimed Mr Netanyahu - more than his predecessor, Mr Shimon Peres - used Mr Chirac last week to pass messages to Mr Yasser Arafat, the Palestinian leader, and to President Hafez al-Assad of Syria.

Meanwhile, inside France, Mr Chirac's Middle East tour has drawn a mixed reaction. According to an Ifop poll, published in the Liberation newspaper yesterday, 83 per cent of French thought their president was right to protest publicly about his Israeli bodyguards and their apparent manipulation of his visit to Jerusalem. Equally, however, 45 per cent thought his trip was a diplomatic failure, and 80 per cent believed France should act within the context of a common European foreign policy towards the region.

Diplomats say the EU envoy would have to work closely with Mr Ross, but claim Mr Benjamin Netanyahu, Israeli prime minister, was less opposed in private

Oil boom beckons for tiny African state

Antony Goldman on hopes and doubts over new wealth in impoverished Equatorial Guinea

In a country so small and impoverished the telephone directory lists its few subscribers by their first names, a revolution will take place later today. At what the oil ministry describes as "a solemn act of inauguration" Mr Teodoro Obiang Nguema Mbasogo, president of the central African state of Equatorial Guinea, and Mr Paul Hoenmans, executive vice-president of Mobil Corporation, will formally open the country's first commercial oil field.

Offshore production from the Zafiro field has begun at 40,000 b/d. Other finds already made by Mobil indicate output could double swiftly.

American independents United Meridian (UMC) and CMS Nomeco say they are poised to make new discoveries in concessions adjacent to Zafiro. "In five years' time," said Mr Miguel Abia Bito Boriko, secretary of state for mines and energy, "we could be producing half a million barrels a day."

Officials are reluctant to say exactly how much the government can expect to benefit. Even at existing production levels, conservative revenue estimates of about \$100m are twice last year's

gross domestic product. For Equatorial Guinea's 350,000 inhabitants, it is money which could change everything. And everything needs changing. Running water and electricity are rare luxuries outside the capital. Education and health care are in abject decay. Malaria, typhoid and a host of other diseases are endemic. Life expectancy is 48.

It was not always so. As Fernando Po, this accident of colonialism, divided

Mr Obiang blames the precipitous decline on the 11-year reign of his predecessor and uncle, Francisco Macias Nguema. Equatorial Guinea's first president. Before his overthrow and execution in 1979, the self-styled "Unique Miracle" closed the country's schools and hospitals and sponsored a terror in which a third of the population was killed or fled into exile.

Now the 53-year-old Mr Obiang has moved toward

For Equatorial Guinea's 350,000 inhabitants, oil revenues estimated conservatively at \$100m a year could change everything

between Bioko island and a small rectangle on the mainland, enjoyed some of the highest living standards and levels of literacy on the continent. Cocoa, coffee and substantial subsidies made what is the only Spanish-speaking territory south of the Sahara something of a favourite for the isolationists within General Franco's dictatorship.

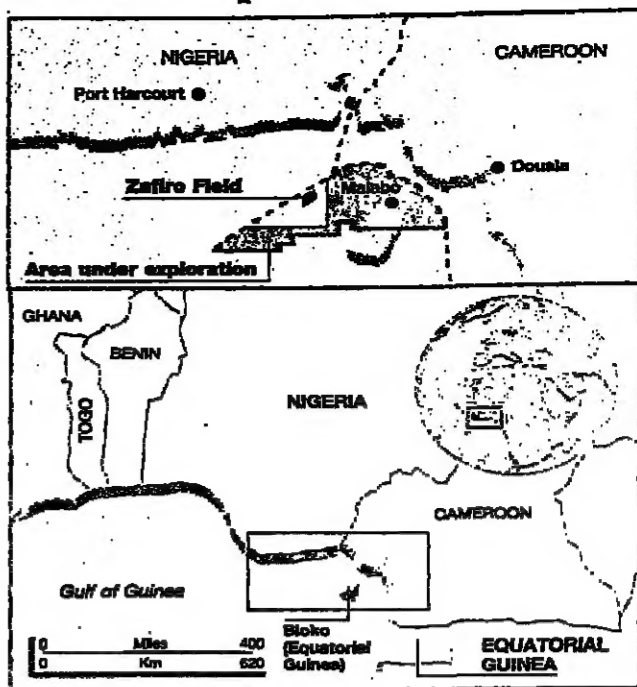
multi-party politics, albeit in a form which allowed him last February to win a new seven-year term with more than 97 per cent of the vote. The oil companies are stepping in, providing funds for everything from Washington lobbyists to refuse collection. Even the smallest operator, CMS Nomeco, buys school books and runs anti-malaria programmes.

"To have persuaded the Americans to come in after the French and Spanish said we had no oil is the president's greatest triumph," said Mr Augustin Nse, secretary-general of Mr Obiang's Democratic party, earlier this year.

Oil - and ambitious schemes for mineral exploitation - may, however, prove not to be a panacea for all the nation's ills. "We'll be like Kuwait," said one opposition activist. "There'll be fast cars and foreign bank accounts for a few, but for the rest of us nothing will change."

One member of a visiting team from the International Monetary Fund this year complained of "a total absence of transparency" in government accounting. Mr John Bennett, the last US ambassador, found himself accused of witchcraft after complaining of persistent human rights abuses.

There is also an unresolved border question with Nigeria at almost the point where Mobil has discovered oil. "This is something we have to sort out," said a Nigerian diplomat. "But these people have been brainwashed by their mentors to be hostile and defen-



sive... when we are producing 2m b/d, does anyone really think we need their 40,000?"

For the past decade, Equatorial Guinea has eked out an existence on aid handouts. At today's ceremony, there will be a rash of oil workers and others anxious

to cash in on Africa's least well-known investment opportunity. And while the government insists this interest will fuel its emerging democracy, its opponents maintain Mobil is merely feeding a dictatorship which echoes the very worst of General Franco's legacy.

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French seek big role in talks for EU diplomat

By David Buchanan in Paris

France believes the role of the European Union's new special Middle East envoy should be "as large as that of Dennis Ross [the US's Middle East mediator] and certainly no less," diplomats said in Paris yesterday.

In the wake of President Chirac's swing through the region, including his stormy visit to Israel, France considers the time has come for Europe to use its close contacts with the Palestinians and Arabs in the peace process, complementing US ties to Israel.

In the French view, this would involve the EU in effect taking over the role of co-sponsoring the Middle East peace process which was given to the pro-Arab Soviet Union in 1991, but which the latter was unable to play because it disintegrated as a country later that year.

Diplomats say the EU envoy would have to work closely with Mr Ross, but claim Mr Benjamin Netanyahu, Israeli prime minister, was less opposed in private

Hunger killing 4,500 children a month in Iraq

By Michael Littlejohns, UN Correspondent, in New York

The United Nations aid agency, Unicef, said yesterday that 4,500 children under five were dying of hunger and disease each month in Iraq because of a lack of funds to obtain humanitarian supplies. Such funds are exempted from international sanctions imposed on Iraq.

Ms Carol Bellamy, the agency's head, quoted the figure yesterday, describing the situation as "a terrible crisis".

Mr Yasushi Akashi, who co-ordinates UN humanitarian aid, reported that only \$1.6m - from France and the Netherlands - had been contributed to his fund for Iraq. Its three-month goal was \$39m.

He blamed the poor response on "donor fatigue" and the expectation that there would eventually be a breakthrough in the food-for-oil scheme which would release \$1.3bn to Iraq for purchases of food and medicines in the first six months.

NEWS: ASIA-PACIFIC

HK contender backs change to legislature

By John Ridding in Hong Kong

Hong Kong's former chief justice, a candidate to head the territory's post-colonial government, yesterday backed China's plan to replace Hong Kong's elected legislature, claiming the move was necessary and legal.

The statement by Sir Ti Liang Yang marked a breach with the Hong Kong government, which is staunchly opposed to formation of a provisional legislature. It came as applications closed for chief execu-

tive, the title of the territory's political leader after Hong Kong returns to Chinese sovereignty on July 1 next year. The Chinese government will appoint the successful candidate, after nomination by a Beijing-backed committee. A decision is due by early December.

Sir Ti Liang is one of four serious contenders for the post of chief executive. His rivals include Mr Tung Chee-hwa, the shipping tycoon, who is regarded as a front-runner, Mr Peter Woo, the businessman, and Mr Simon Li, a

former appeals court judge.

Yesterday, Sir Ti Liang, referring to the failure of Britain and China to agree on the formation of a legislature to span the handover, said: "Something has got to come in to cope with the situation." He said a legal amendment might be added to the Basic Law, China's constitution for post-1997 Hong Kong, to provide for the new legislature.

However, Sir Ti Liang said it would be unacceptable to have both the provisional legislature and the present Legislative Council

operating in the territory before the handover. This echoed the government's view that such a development would prove destabilising.

The former chief justice also stressed the need to uphold the one country/two systems formula which underpins the handover and which provides for Hong Kong's autonomy. "In our relationship with China we should strictly follow the philosophy of Hong Kong people ruling Hong Kong," he said. "The aim is for us to be very firm in implementing the Basic Law

which safeguards all our rights."

The selection of the post-colonial governor is one of the most important decisions concerning next year's handover, since the chief executive will be responsible for managing relations with Beijing and upholding Hong Kong's promised autonomy as well as governing the territory. Mr Tung has strong backing from Beijing, but it remains unclear whether China has reached a final decision on its preferred candidate.

Editorial comment, Page 15

ASIA-PACIFIC NEWS DIGEST

China 'brings home copper'

China's reported repatriation of large quantities of copper from London Metal Exchange-approved warehouses may have been prompted by higher prices available on the domestic market, a Chinese official said yesterday. But Mr Wang Zhongkui of the China National Nonferrous Metals Industry Corporation said he had no explicit knowledge of up to 100,000 tonnes of copper being held in bonded warehouses in Shanghai.

"At the moment I am unaware of any large-scale purchasing by the government," Mr Wang told a metals conference in Beijing, but he added it was "possible" the authorities were taking advantage of price differentials. Shanghai copper futures ended sharply up yesterday with later-maturing contracts breaching the ¥19,500 (\$2,407) resistance level due to last Friday's heavy LME gains.

Profits of state-owned industries slumped by 28.5 per cent to ¥22.6bn (\$2.7bn) in the first nine months compared with the same period last year. Companies operating in the red saw losses mount further, up 23 per cent to ¥14.4bn, reflecting the effects of a continuing credit squeeze. *Tony Walker and Sophie Roell, Beijing*

Asia's infrastructure needs

The much-vaunted contribution of the private sector to Asia's infrastructure development has been marginal, at only 10 per cent of spending so far, and is likely to grow only slowly over the coming decade, Mr Lee Bong-suh, vice president of the Asian Development Bank said. Ten years from now it would account for only 20 per cent of infrastructure spending, so governments will still have to find the bulk of the \$1,500bn needed to upgrade regional infrastructure, he told a UN ministerial conference.

Peter Montagnon, New Delhi

Singapore changes voting law

Singapore's parliament yesterday passed an electoral reform bill which observers said would make it more difficult for opposition politicians to win. The bill to amend the constitution was passed by a vote of 64-4. Mr Goh Chok Tong, the prime minister, denied that the reform was designed to increase the parliamentary representation of his People's Action Party.

The amendments increase the number of candidates who may stand as teams in so-called group "representation constituencies" (GRCs) from four to six. The team with the most votes takes the seats. There are now 15 four-seat GRCs and 21 single-seat wards. Under the reforms, there could be as few as eight single-seat constituencies. Because the opposition has been able to field fewer candidates than the ruling party, the increase in the number of GRCs and the number of candidates in each GRC team may worsen the opposition's chances, analysts said.

James Kyrgie, Kuala Lumpur

EU restricts Burma contacts

The European Union yesterday imposed strict limits on contacts with Burmese officials and their families in response to what the 15-nation bloc sees as Burma's continuing failure to respect human rights. EU foreign ministers agreed to the move - part of a gradual build-up of pressure on Rangoon's military government - without debate. "There is a very serious situation in Burma with a lack of respect for human rights and democracy," said Mr Dick Spring, Irish foreign minister. *Reider, Luxembourg*

Tamil Tigers shoot holes in Sri Lanka's budget

There will be several large holes in the Sri Lankan budget for 1997, to be announced next week, courtesy of the Tamil Tigers. The separatist fighters are proving to be formidable both on the battle ground and on the balance sheet.

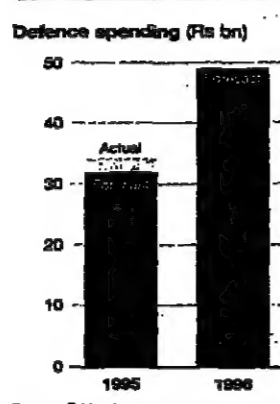
The war is absorbing nearly a quarter of government revenues and as yet President Chandrika Kumaratunga's government shows no sign of curbing defence spending.

The government is banking on mass privatisation but receipts have fallen well short. Only 2.9bn rupees (\$61m) out of a projected revenue of SLRs21bn has come from the sale of state enterprises, while expenditure on the war has exceeded estimates.

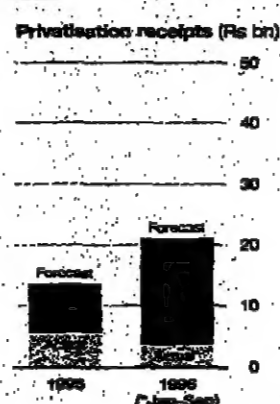
The war was estimated to cost SLRs38bn this year, up from an actual expenditure of SLRs34.97bn last year when fighting was restricted to just eight months of the year. This year, however, fighting escalated and so did defence expenditure. The final figure for 1996 is expected to be around SLRs50bn, or about 30 per cent over budget.

Inflation is running at 21.5 per cent. The growth of the economy this year is expected to be about 3 per cent, down from an earlier government forecast of 5 per cent and a figure of 5.5 per cent in 1995.

Sri Lanka: the cost of war



Source: Sri Lankan government



Source: Sri Lankan government

"The worst is yet to come," said Mr Arjuna Mahendran, senior economist with Crosby financial services.

Faced with the poor response from investors to state sell-offs, the government two months ago took the unorthodox step of becoming a customer for its own privatisation programme.

A plantation company was bought by a front organisation owned by the state-run Bank of Ceylon, and Mr G.L. Peiris, deputy finance minister, quickly defended the action as a one-off purchase to save the market.

Officials say the economy is now more than ever dependent on the privatisation process to raise money to finance the budget deficit, estimated at 10 per cent of

gross domestic product.

The privatisation authority, the Public Enterprise Reform Committee, last month advertised a 35 per cent stake in the state-owned Sri Lanka Telecom and bids are being received for the national airline, Air Lanka.

Almost all the American, European and Asian giants in telecommunications have shown interest in joining Sri Lanka Telecom but the trade unions have vowed to resist any moves to sell the company.

Stock brokers, however, say investors are unimpressed. Many are waiting in the wings because of the contradictory statements by government ministers and a new law to re-acquire state enterprises privatised by the former government.

Mr Peiris said companies

sold under a privatisation plan of the previous administration but which stopped production and laid off staff would be taken back. The influential Chamber of Commerce and Industry described the measure as "draconian".

A spokesman for the chamber said several foreign investors were already rethinking their plans to expand. Contradictions in the government were also worrying many, he said.

For example, Mr M.H.M. Ashraff, the ports minister, is on record saying that he will not sell the Queen Elizabeth Quay (QE) But a consortium including P&O of the UK and its Australian subsidiary has been issued a letter of intent by the government to develop the QE. Meanwhile Sri Lanka's investment regulatory authority, the Board of Investment (BOI) said that it was going ahead with the QE project that could bring in an eventual investment of \$80m.

"As far as we are concerned the project is on," said Mr Manilal de Mel, BOI deputy director general. "It is up to the politicians to sort out their problems." For President Kumaratunga, that first and foremost, means ending the war.

Amal Jayasinghe

Benefit for southern Philippines

Peace attracts Islamic banks

By Edward Luce in Manila

The Philippine government said yesterday that five Islamic banks had requested permission to establish branches in the southern Philippines just six weeks after Manila initiated a peace deal with the country's 5m Moslems.

Malaysian and other south-east Asian investors unveiled 42bn pesos (\$1.5bn) of pledged investment in the Moslem areas at a business conference in Mindanao, the southern Philippines, at the weekend.

As part of the autonomy package signed in September, foreign sponsors of the three-year peace talks - notably Indonesia and Malaysia - pledged to invest heavily in the province on completion of the autonomy deal. The new investments, which include shipping, tourist and agribusiness projects, are expected to come on stream over the next 12 months.

"We have noticed a sharp increase in the number of business investments from Malaysia, especially Sabah, since the signing of the peace accord," said Mr Paul Dominguez, adviser to Mr Ramos on Mindanao.

But Philippine officials say that the Islamic Banks, which include the Malaysian Bank, Bank Islam, Bank

Bumiputra, Bank of Tabung Haji (all from Malaysia) and the Islamic Development Bank of Brunei, would require special legislation to set up in Mindanao. Last year the Philippine central bank limited new entrants to 10 foreign banks pending a change in the regulations.

Mr Nur Misuari, chairman of the autonomous council in the southern Philippines and leader of the former rebel forces, said Moslem rebels had rejected suggestions that mainstream Philippine banks set up Islamic branches in the south because they would need to recycle "sin funds" from other branches. Islamic banks would attract many deposits, he added.

Officials from Sabah and the Philippine government also conducted informal talks about the repatriation of 300,000 Filipino Moslem refugees from the Malaysian state in the wake of the completion of the peace agreement. The refugees, who fled Mindanao during the heaviest fighting in the 1970s and 1980s, have formed the backbone of the construction sector and other labour-intensive industries in Sabah.

"We are in two minds about our Filipino refugees," said one Malaysian businessman. "They must eventually go home but they are important to the Sabah economy."

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Jobless total is predicted to stay at 2m

By Andrew Bolger, Employment Correspondent

The UK will create 1.6m jobs over the next 10 years - but half will be part-time and the rest will come from self-employment, says a government-funded forecast. It says the number of full-time employees is unlikely to increase.

Unemployment is likely to stay at about 2m even if there is a change of government at the next general election, adds Business Strategies, an independent consultancy whose research was funded by the government's Department for Education and Employment. The election must be held by May next year at the latest.

Mr Neil Blake, research director for the consultancy, said nothing in the policy of the opposition Labour party "would lead us to change our view of the unemployment outlook".

The proportion of total employment held by male full-timers is forecast to continue falling - reaching 35 per cent by 2006 compared with 49 per cent in 1981. Mr Blake said: "With employers creating almost no extra full-time jobs, 790,000 more people will opt for self-employment between now and 2006."

The report forecasts that there will also be 770,000 new jobs for employees by 2006 but that almost all will be part-time. Many will be in personal services, ranging from bar work to childcare. There will also be more part-time jobs for shopworkers.

Women are expected to continue dominating part-time work, with about an 80 per cent share of those jobs. Their share of self-employment is expected to rise slightly, from 25 per cent this year to 27 per cent by 2006. This means women will capture two-thirds of the total growth in work. Mr

Men at work



Richard Holt, director of Business Strategies, said: "The extra jobs will do little to bring down the number of people registered as unemployed, which we forecast will fall by just 131,000 between now and 2006, to a figure of 1.99m."

"The fastest rises in employment overall (27 per cent) will be for many professional workers such as lawyers, accountants and even doctors - although not teachers and lecturers. The number of professional jobs will rise by over a quarter but few people registered as unemployed will benefit directly from these opportunities."

Financial and business services is the sector of the economy which is forecast to experience the fastest growth between now and 2006. The report says: "Both main parts of the sector are likely to experience rising demand over the long term, which will offset pressure on employment in banking and finance caused by new technology and a likely restructuring of the sector."

Growth is forecast among managers and sales staff, with women getting the lion's share in both cases. Employment is expected to decline among secretarial and clerical staff, and for skilled and unskilled production workers.

Ex-envoy criticises EU foreign policy

By Bruce Clark, Diplomatic Correspondent

The European Union's Common Foreign and Security Policy needs strengthening because it still falls far short of its potential as a force in world affairs, says a paper published yesterday by a pro-European think-tank in Britain.

The paper was written by Sir David Hannay, who has served as UK ambassador to the EU and the United Nations. He says that continuing with the current foreign policymaking procedure, under which all EU members have a veto, is likely to "lead to considerable frustration" as the Union enlarges.

Without saying which version of majority voting would be preferable, the paper suggests that one

alternative would be to follow the example of the UN Security Council and restrict the right of veto to the most important member states.

The paper says the CFSP needs permanent financing arrangements, separate from the EU budget. To scrutinise the CFSP, it says that a US-style committee on foreign relations might be formed by legislators from the EU's member states.

Action Centre for Europe, which published the paper, is a lobby group headed by senior pro-European politicians, mostly Conservatives.

Mr Douglas Hurd, the former foreign secretary, says in a foreword that "the Americans are occasionally baffled by the incoherence of the foreign policies of European countries".

"They would welcome a serious effort by the Euro-

peans to set ourselves up not as rivals, but as partners," Mr Hurd adds.

To upgrade the EU's ability to plan ahead and respond to crises, the paper suggests broadening the small CFSP secretariat in Brussels to include planning and analysis departments and a "conflict prevention" unit.

The paper endorses the idea of a "Mr or Miss CFSP" - first proposed by France and now supported by Britain - to present EU policies to the outside world. It adds that, initially at least, this should be a fixed-term, non-renewable appointment.

The European Union's Common Foreign and Security Policy: A Menu for Reform. Sir David Hannay, Action Centre for Europe, 2 Queen Anne's Gate, London SW1H 9AA.



Sir David Hannay: his paper warns of future frustration

Europe's pensions 'silence' attacked

By James Blitz, Political Correspondent

An all-party committee of the House of Commons will this week call for unfunded pension liabilities to become a new criterion for European monetary union, arguing that the UK could be severely disadvantaged by current arrangements.

In a detailed report that aims to raise the profile of the issue in Britain and the EU, the all-party social security committee will insist that unfunded pensions liabilities should be "taken into account" when considering the eligibility of each country for the single currency. Unfunded pension commitments are those not covered by specific assets.

The committee says the liabilities should become a criterion for policing the new arrangements for monetary union after it has taken place. It will call on ministers to encourage their European partners to publish figures on unfunded schemes in their own countries.

Euro-sceptic Conservative MPs have repeatedly expressed fears that the large number of unfunded pension schemes in France and Germany would severely disadvantage the UK if sterling joined a single currency. One MP said last night that there had been a "conspiracy of silence across Europe" on the issue.

The government claims total holding of assets in the UK in the form of funded schemes - like occupational and personal pensions - now amounts to some £800bn. Ministers say this is more than the total for funded liabilities in all EU states.

By contrast, the large number of unfunded schemes in Europe - in which the current generation of taxpayers meets the cost of paying pensions to the current generation of elderly - could mean that substantial liabilities fall on European taxpayers as their populations grow older.

Top Labour figures at odds over Emu

Attitudes towards fate of sterling vary widely in biggest opposition party

There are two issues of great sensitivity in the opposition Labour party: whether sterling should join a single European currency in the first wave in 1999 and whether Mr Robin Cook and Mr Gordon Brown could co-exist in any future Labour cabinet.

The mutual rivalry - bordering on enmity - between the two senior party figures is legendary. This is unfortunate for Labour's leader, Mr Tony Blair, because Mr Cook is the party's shadow foreign secretary and Mr Brown shadow chancellor of the exchequer. They are therefore Mr Blair's two most important lieutenants.

Mr Cook raised the stakes in his contest with Mr Brown on Sunday, when he gave a BBC television interview devoted in large part to refining Labour's approach to monetary union.

This was provocative in itself. Mr Brown - like Mr Kenneth Clarke, the chancellor in the Conservative gov-

ernment - is zealous in asserting his claim to overall responsibility for his party's position on a single currency.

On the other hand, Mr Cook could not afford to be seen as the perpetrator of a public dispute with Mr Brown, even though he is far more sceptical than Mr Brown on the merits of monetary union. He therefore expressed his caution while just remaining within the bounds of Labour's official policy.

Mr Cook came as close as possible to saying that a Labour government would not join Emu in the first wave without making a cast iron commitment. He did, however, say that sterling's participation was inevitable in the long term "if the single currency succeeds".

Mr Brown, by contrast, is less grudging in his support for monetary union. He does not believe that sterling should be a first round member at any cost - but is per-

suaded that the economic price of staying outside may be the decisive factor for joining.

Between the two is Mr Blair. He shares Mr Brown's fundamental pro-Europeanism, but tends towards Mr Cook in respect of seeing the risks of joining in the first wave.

So on the day after Mr Cook's declaration of faith, which of the two came off best? On the margin, Mr Cook may have damaged his chances of becoming chancellor, a position he is widely believed to covet.

The reason is that he used the "D" word - for devaluation - which is frowned on in top Labour circles. Mr Cook said it would "be very risky for Britain to give up the option in future of devaluing if that was necessary", unless a Labour government was confident about the robustness of the UK economy.

"The whole thrust of Gordon's approach has been to

convince the markets that Labour is no longer the party of devaluation", said an MP close to Mr Brown. "Can you imagine the interest rate penalty the UK would have to pay if we stayed outside the single currency in the first round and Robin was chancellor?"

In circles around Mr Brown, there was also concern at Mr Cook's elaboration of the conditions which the UK would have to meet to prove itself fit for a single currency.

He talked about the "ability to match the investment, to match the skills, to match the output, to match the unit costs of the European economies, particularly Germany".

This appears different from Mr Brown's recent statements on "the degree of integration and convergence" necessary for sterling participation.

In a speech he gave last spring in Germany, Mr Brown said that "real con-

vergence does not of course mean that we have to have exactly the same levels of output or productivity". Mr Brown is concerned about the capacity of the UK economy to absorb external shocks.

He is therefore interested in Labour mobility on the one hand - an economy's ability to shed jobs in unproductive industries and create new ones - and whether the UK economy is still too dependent on US performance relative to mainland Europe.

There is another point on which the two diverge. Mr Cook believes that the legislative and administrative burden of joining in the first wave is excessive, a view which is becoming fashionable in Labour circles.

However, it is not shared by Mr Brown, who believes that the timetable can be met if the will exists to proceed.

Robert Peston

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- highly trained and motivated workforce
- turnover £2m
- 45 employees

For further information, please contact Nick Drewett or David Whiteman of Coopers & Lybrand, Plumtree Court, London EC4A 4HT. Tel: 0171 212 6705. Fax: 0171 212 6900.

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For further information contact Mr W J Kelly of Ernst & Young, One Colmore Row, Birmingham B3 2DB. Telephone: 0121 232 4000. Facsimile: 0121 232 4448.

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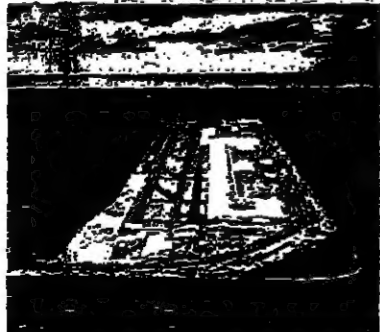


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JAL Japan Airlines
A BETTER APPROACH TO BUSINESS

BT starts \$78m Internet kiosk project

By Nicholas Denton in London

British Telecommunications is preparing to invest \$78m (£78m) to build Europe's largest network of touch-screen kiosks to bring the Internet to the general public. The Touchpoint terminals, launched yesterday, will allow users to book flights and cinema tickets, and order products such as flowers and wine. They will also display maps and news. Although France's Minitel sys-

tem has allowed users to look up telephone numbers and book train tickets for more than a decade, Touchpoint will be Europe's first large-scale kiosk network using software designed for the Internet. In the US, a group including CompuServe, the online service, is introducing about 1,000 public Internet terminals in Baltimore and Washington DC, and Holiday Inn, the hotel chain, is putting Internet kiosks in business centres and lobby areas.

In the UK, up to 10,000 kiosks will be placed in busy locations such as shopping and leisure centres, hotels and universities over the next four years if the pilot project is successful. BT expects the total cost to be \$78m. BT is seeking to diversify its revenues as basic call charges fall. Although the kiosks have a coin slot and users will have to pay a small amount for some services, BT's main revenues from Touchpoint are expected from advertising

and from an agent's fee on goods sold through the system. Users will be put through to companies providing goods and services by telephone and then pay via credit card. The service offers the same level of payment security as standard telephone services. BT has signed up companies including Thresher, the chain of liquor stores, Interflora, which distributes flowers, and Thomson Tour Operators. BT will earn sales commissions ranging from 5 per

cent on items such as cinema tickets to 40 per cent on high-margin goods such as jewellery. Advertisers such as Carling, the UK beer brand which has bought space in the sports news section of the service, will initially pay by the month. But BT may later charge companies according to the frequency with which users respond to the advertisement. In the pilot project, BT will install about 200 kiosks in London over the next six weeks.

Computers 'making little impact in homes'

British people believe science and technology have made life easier, but they are not convinced that computers offer real benefits in their domestic lives.

These are among findings of a survey that challenges conventional thinking about information technology and raises questions about its impact on people at home. Early results from the three-year study - known as Future.com - suggest that the public is unimpressed by the claims made for new technology and that the "information revolution" is a myth. New technology was making an impact in the workplace, but not in homes.

The study was jointly administered by Ogilvy & Mather, the advertising company, and the Institute of Communications Studies at Leeds University in north-east England. It was based on responses from more than 5,000 homes.

Instead of "an information revolution", the study suggests a process of steady change in which new technologies are accepted into the home only when the benefits are clear and the price is right. "We are experiencing evolution, not revolution," the report suggests.

Almost 80 per cent of respondents believe that if they do not keep up with technology, they risk being "left behind".

Survey says technological movement is evolution, not a revolution

More than three out of every five people are "not thinking about getting a computer", and although almost 30 per cent of people have access to a computer at home, only 18 per cent regularly use it to work on.

The most common reasons for not owning a computer were: not having a need for one (62 per cent), too expensive (19 per cent) and not understanding them (15 per cent). Six per cent said they preferred to do other things with their time at home and 3 per cent admitted to disliking new technology. The survey revealed that 76 per cent of the workforce does not use a PC regularly.

The authors say "this contradicts the commonly accepted view that the information age will create an underclass excluded from the new technologies; the initial findings of Future.com suggest this may be a premature, alarmist conclusion".

Child education remains the main motivation for getting a PC (51 per cent), followed by Internet access (9 per cent) and electronic mail (3 per cent). Almost half

those thinking about buying a PC were aged between 25 and 34. Adult and middle-aged people emerge as the most frequent users of the Internet and on-line services at home.

People are increasingly using computer technology in public places such as shopping centres (25 per cent), airports (16 per cent), museums and art galleries (12 per cent), at railway and bus stations (12 per cent), public libraries (11 per cent), shops (10 per cent) and hospitals (3 per cent).

Almost three-quarters of those surveyed carry some form of financial card. The average number of cards owned is 2.1. Nearly 60 per cent have at least one store loyalty card, but the study suggests people have little understanding of the "real" motives behind stores issuing them - the creation of customer databases.

The report reveals that almost everyone has a television and four out of five respondents have video recorders. The average number of televisions per household is two, 18 per cent of those surveyed have a mobile phone and 2 per cent a car phone.

The study was sponsored by the Independent Television Commission, Ford, Guinness, Lever, Flextech, Telewest Communications and Royal Mail.

Paul Taylor

Store rises from the ashes

By Richard Wolfe in Manchester

Marks and Spencer is to re-open in the centre of Manchester this week for the first time since an IRA bomb devastated its store in the city in June. The retailer is to trade on two sites in the city centre over the next three years while it demolishes and rebuilds a larger store in place of the bomb-damaged building.

M&S has become the focus of attention among Manchester shoppers and traders since the bomb, and is an important supporter of the ambitious project to redesign Manchester's city centre.

M&S has conducted a high-profile campaign in Manchester to maintain links with its customers since the bomb. The retailer recently mailed about 400,000 charge-card holders in the region, and distributed 75,000 free magazines to shoppers



Lift-off: removal of a shopping centre bridge was one of the first elements in Manchester's revival of its bombed centre in the city centre.

The retailing community in Manchester has been keen for M&S to re-open as soon as possible to boost the number of shoppers in the city centre.

Julian Hulce, chief executive of Manchester Chamber of Commerce, said: "Marks and

Spencer is the number one shopping draw and the opening of the new stores will mark the re-opening of the city as a Christmas shopping destination."

The M&S plans to build the new Manchester store at the heart of a design competition.

London encircled by motorway congestion

Critics of the M25 orbital motorway round London say that the frequent delays on the road are a sign of the UK's failure to devise a balanced transport policy which would shift more passengers and freight to rail.

The 185km motorway is claimed to be the longest bypass in the world and it continues to be surrounded by controversy 10 years after its completion.

It accounts for 14 per cent of the nation's motorway traffic, but only 6 per cent of the motorway network by length. Supporters point to the large volumes of traffic using the motorway each day as proof that it is doing its job.

Two-thirds of road hauliers made savings on journey times, according to a 1990 survey by Westminster University's transport studies group. It looked at more than 200 groups operating nearly 7,000 vehicles, and found other benefits which helped hauliers increase their business or reduce costs.

Some 30 per cent said they were able to make longer trips and win more business while 45 per cent increased their mileage without



increasing the number of vehicles operated.

The M25 has had an impact on the surrounding road network and 45 per cent of hauliers interviewed in the Westminster survey reported less congestion on other nearby routes. The M25 has removed 25m truck journeys from the streets of central London since its completion, according to the Freight Transport Association.

But even in 1990, at the time of the Westminster survey, congestion on the M25 was becoming a problem. Some 77 per cent of hauliers complained of congestion on some part of the motorway.

That is due in part to the fact that the M25 was originally intended to form just one part of an ambitious

series of road links around London.

The Greater London Development Plan of 1969 called for three ring roads to be built, including two closer to central London than the present M25.

The absence of these inner motorway rings has contributed to congestion on the M25. Sections designed to carry 90,000 vehicles a day now carry 120,000; one section meant for 130,000 a day carries 200,000.

Proposals to build a series of parallel link roads to take some busy sections of the M25 up to 14 lanes were dropped by the government last year after protests from residents, councils and backbench MPs. Current plans envisage only one busy section widened to 12 lanes, but without taking up extra land.

But in future, congestion control will depend increasingly on more sophisticated traffic management - installing variable message signs, imposing uniform lane speeds and limiting access at certain points - rather than on any large-scale expansion of the network.

Charles Batchelor

Islands' tax haven status attacked

PA News Reporter

The Channel Islands between Britain and France and the Isle of Man between England and Ireland should lose their "elitist" tax haven status and be brought fully into the European Union, Mr Robert Evans, a member of the European Parliament, said yesterday. Mr Evans is the opposition Labour party's MEP for London North West.

He pointed out that the Channel Islands are part of the EU and asked the European Commission whether the status of the Channel Islands and the Isle of Man was just a loophole, "or is there a real purpose for their separate existence?"

The Channel Islands and Isle of Man were within UK territory, relied on the rest of Europe for many services and facilities, and had the British monarch as head of state, Mr Evans said. They should therefore be treated like the rest of the EU. "I think it does undermine the status of the European Union to have these islands operating in effect as playgrounds for the super rich within Europe's borders and able to cook a snook at the rest of the Community."

Guernsey, the second largest of the Channel Islands, may follow Jersey's lead and introduce limited liability partnerships, which would offer some legal protection for the partners of accountancy firms registering in Guernsey.

The legislation, proposed by the Guernsey Society of Chartered and Certified Accountants, is aimed at island-based partnerships. In contrast, Jersey's law - the first of its kind in Europe - aims to attract firms from the UK.

The Guernsey law would be similar to Jersey's in that it would remove joint liability. That means that, if an action is brought against a limited liability partner, the personal assets of those partners not directly involved in the dispute would be protected.

"What we are proposing will be attractive to many local partnerships," said Mr Steve Harlow, managing partner of Ernst & Young's Guernsey partnership.

UK NEWS DIGEST

Two held over airport attack

Two men were arrested in London yesterday in connection with IRA mortar bomb attacks on London's main airport, Heathrow, two years ago.

A dozen mortar bombs were fired at Heathrow in three separate attacks within days of each other in March 1994. None exploded, but one landed on the roof of Terminal Four, which was crowded with passengers, while others narrowly missed parked aircraft. The attacks, plus other warnings of more bombs, caused panic among passengers. Meanwhile five suspects are due to appear in the Special Criminal Court in the Republic of Ireland after a raid on a remote farmhouse in County Donegal, which Irish police believe may have been an IRA training camp. The farmhouse is near the border with the Republic of Ireland. The police found a primed mortar bomb, high-powered rifles, ammunition and explosives. Also found were manuals, sleeping bags and details of target areas, indicating that police had uncovered a significant IRA training camp as well as an arms store.

The mortar was similar to devices used in a number of IRA strikes on military targets in Northern Ireland before the terrorist group's now-abandoned 17-month-long ceasefire.

LAW AND ORDER

New knife ban moves closer

The government yesterday moved closer to banning new categories of knives, as the opposition Labour party accused ministers of failing to keep pace with public resolve to tackle violent crime.

Mr Michael Howard, the home secretary, said during an afternoon debate in the House of Commons on law and order that he was prepared to work with the opposition on ways of outlawing so-called combat knives if a suitable definition could be found. Labour described Mr Howard's remarks as a significant concession, following the government's policy reversal last week when Mr John Major, the prime minister, agreed to a Labour proposal to cooperate on passing bills on sexual offenders and stalkers.

Mr Jack Straw, Labour's home affairs spokesman, last night wrote to Mr Howard offering such a definition, which would be based not on the type of knife but on its prospective use. Under Labour's proposals, the sale of a knife would be forbidden if it was advertised "in a way which appears to cite or condone the possession of such an article for violent purposes".

John Humphrey
Editorial comment, Page 16

THE ECONOMIST

New chief executive named

Ms Helen Alexander is to become the new chief executive of The Economist Group from January in succession to Ms Marjorie Scardino who has been appointed chief executive of Pearson, the media group which owns the Financial Times and 50 per cent of The Economist Group. Ms Alexander is currently managing director of The Economist Intelligence Unit, the group's business information wing.

FARMLAND SURVEY

Prices still 30% higher on year

Farmland prices edged down from record levels in the third quarter of the year, but were still 30 per cent higher than a year ago, the Royal Institution of Chartered Surveyors said in a survey published today. Strongest demand came from large farmers and agribusinesses, which are driving a vigorous market for arable land, the institution said. Average prices for farmland were £7,324 (£11,425) per hectare.

Alison Maitland

Crotone Sviluppo

Società Consortile per Azioni



F.E.S.R.

GLOBAL SUBSIDY FOR

THE CRISIS AREA OF CROTONE - ITALY

Aid for the realisation of entrepreneurial initiatives and inter-company infrastructures

Extension of deadline for the presentation of applications for grants

In view of the serious effects of the flooding of 14th October 1996 on the infrastructure and entire production system, the Società Consortile Crotone Sviluppo, Intermediary Authority for the management of a Global Subsidy for the reindustrialisation of the crisis area of Crotone, has decided to extend the deadline for the presentation of applications for grants.

The definitive deadline is 1 p.m. on 10th December 1996.

For further information about the grants for companies, please consult the notice published in Il Sole 24 ore on 10.7.96 and 18.7.96, in the Gazzetta del Sud on 9.7.96, in the Crotonec on 9.7.96 and in the Financial Times on 12.7.96.

Further information about the procedure for presenting the investment projects, together with the relative forms to be used, can be requested directly from the Intermediary Body.

Crotone Sviluppo S.p.A. S.S. 106 Ionica - 88074 Crotone - Italy.
Tel. +39/962/938000 - Fax +39/962/930033

LAW

Right to be heard upheld



EUROPEAN COURT

The fundamental principle of European law that a defendant has a right to be heard applies even where a decision which adversely affects his interests is not specifically addressed to him, the European Court of Justice ruled last week.

The case arose from a European Commission decision authorising assistance from the European Social Fund for a vocational training project in Portugal.

The beneficiaries were all Portuguese companies involved in the project. These companies received 50 per cent of the EU funds in advance and submitted a claim for the balance. However, this was not paid when irregularities at two of the companies were detected.

The Commission wrote to the Portuguese Ministry of Employment and Social Security saying funds had been used for ineligible expenditure and that a large part of the initial advance had to be repaid. The Portuguese authorities were given 30 days to submit their observations.

The Commission was told no submissions had been made and that the national authorities accepted the decision. A repayment demand was made and the companies involved were then informed. They brought proceedings before the European Court of First Instance challenging the Commission's decision.

The CFI annulled the Commission's decision on the ground that it infringed the companies' right to be heard. The Commission appealed to the European Court of Justice.

In its appeal, the Commission claimed the CFI committed errors of law by holding that the companies' rights had been infringed. In particular, it claimed the CFI was wrong to hold the Commission could not adopt the decision in question before giving the companies the opportunity of giving their

views. It relied on the three arguments. First, it was impossible to give the companies the right to be heard because of the way in which the administration and management of the European Social Fund was structured. Secondly, the decision did not impose any sanction on the companies. Thirdly, the way in which the fund was administered made it difficult in practice for the Commission to consult the companies directly.

The court dismissed the argument that there was no need for the observance of the right to be heard as the companies did not play a central and significant role in the relevant procedure and the only financial relationships created were between the Commission and the Portuguese authorities. It found that the companies were directly implicated in the investigation which led to the decision.

Furthermore, although the Commission's decision was addressed to the Portuguese authorities, it named and expressly referred to the companies as direct beneficiaries of the assistance. The fact that the national authorities were consulted before the Commission adopted its decision did not justify the failure to apply the right to be heard to the beneficiary companies.

With regard to the second submission, the court found that the Commission's decision deprived the companies of the assistance which had been granted to them. The companies therefore suffered directly the economic consequences of the decision.

As to the third argument, the court held that the Commission could not rely on an argument based on practical grounds to justify infringement of a fundamental principle of European law. The appeal was therefore dismissed.

C-92/95: *European v Lateral and others*, ECJ 6CH, October 24 1996.

BRICK COURT CHAMBERS, BRUSSELS

Scaroni rises at Pilkington

Paolo Scaroni is to become boss of the world's biggest automotive glass operation, in the new role of president, automotive products worldwide at Pilkington, the UK glass-maker. As such, he will oversee a business that equips one in every four cars produced on the planet. The appointment, which takes effect from November 15, looks like the first step in a strategy to replace Peter Grunwell, who retires next July at the age of 60 from his role as Pilkington's director for the Americas.

Grunwell was also responsible for Pilkington's automotive business which, with annual sales of £1.18bn, accounts for 40 per cent of the group's turnover.

An Italian, Scaroni began his career with McKinsey Co., the consultants, and then joined St Gobain, Pilkington's biggest European rival (and joint venture partner in Latin America). In 1984 he became head of St Gobain's glass-making operations worldwide.

Later, he joined Techint, an Italian engineering company that partnered Pilkington in the purchase of the former Italian state glass-maker Societa Italiana Vetro. Scaroni became managing director of SIV, enabling Pilkington to take

full control last year by completing restructuring the £300m-a-year business, 12 months ahead of schedule.

Scaroni, 49, is being lured from Techint to help the automotive glass business respond more effectively to the demands of car-makers determined to globalise and streamline their components purchasing. The signs are that he is also being groomed to be the first foreign executive on the board of Pilkington, one of the few UK companies that is truly global in its operations. Ross Tieman, London

Australian farewell



Les Cullen (left), the former De La Rue finance director who followed United Biscuits' David Hearn from the UK to Australia with Goodman Fielder, has resigned as finance director of the troubled food manufacturer after only seven months. According to a company statement, Cullen will leave in mid-November "to pursue more broadly-based management responsibilities elsewhere".

Commenting on the announcement, Hearn paid tribute to Cullen's "significant contribution" to

the group during his short stay. It is not clear whether Cullen will be staying in Australia, or returning to the UK. Nikki Tait, Sydney

JSE picks Loubser

The Johannesburg Stock Exchange has surprised brokers by appointing a trader to succeed Roy Anderson as president of the bourse. Russell Loubser, a career merchant banker, will take over the reins on February 1.

The appointment is a break from the JSE's tradition of appointing figureheads from big business to the top job. Loubser, 46, is less well known in business circles than his predecessors, and has yet to earn a reputation as a public speaker.

The new approach mirrors the changing culture of the 108-year-old bourse, which finally abandoned open outcry trading in June. Loubser, a career merchant banker, played a leading role in launching the South African futures industry in 1987. He chaired the Futures Exchange for two years, and brings to the JSE the skills acquired during seven years in charge of the trading room at Rand Merchant Bank.

Loubser says the next step in Johannesburg's evolution will be the introduction next year of an electronic central depository for scrip. He also intends to foster

closer ties with other African countries. Mark Ashurst, Johannesburg

... and IDC Ngqula



Khaya Ngqula (left) has been named the first black chief executive of the Industrial Development Corporation of South Africa, the state-owned venture capital group which pioneered the country's industrial expansion during the apartheid era. Khaya Ngqula, 40, currently managing director of Norwich Life in Johannesburg, will take up one of the most powerful corporate positions in the public sector in February.

From its origins as a holding company for equity in blue-chip industries privatised in the 1980s, the IDC financed a wide range of strategic industrial investments during the sanctions era. More recently, it has acted as a catalyst for spreading risk and attracting private sector capital to industrial investments.

Ngqula's task will be to shift the emphasis towards more labour-intensive, export-oriented industries. A former personal assistant to the South African managing director of International Business Machines,

he worked as a district sales manager for South African Breweries before joining Norwich Life as business development manager in 1991. Mark Ashurst, Johannesburg

Calver moves on

Brian Calver is stepping down as chief executive of Sierra Rutile, to take over the reins as managing director of Navan Resources, the Dublin-based mining company. Calver says Sierra Rutile was "a damned good project. It is the best ore body I have ever worked on." However, in January last year rebels overran the rutile mine in Sierra Leone owned by Sierra Rutile, where Calver has been managing director for three years. He was not there at the time - his base was in the UK, where he waited with increasing frustration until March this year when it was possible for Sierra Rutile to move back into the mine.

He takes over from Paul Mihalop, Navan Resources' founder, next month, though Mihalop remains on the board. Calver, 53, is enthusiastic about Navan's prospects, particularly in Bulgaria, where it has reopened the Chelopech gold-copper mine, and in Spain where the company is working on the Agnitas Tenidas copper-lead-zinc project and another big scheme. Kenneth Gooding, London

ON THE MOVE

Herbert Lanes, president of the MCDONNELL DOUGLAS aerospace unit, has left the company after what Harry Stoniepher, the group's president and chief executive, described as "sharp working differences involving management and leadership styles". Stoniepher will take charge of aerospace military components until a successor is named. In a separate move, James Sinnett, 58, previously with the advanced systems & technology-Phantom Works, takes the new position of corporate vice-president - technology. He is replaced at Phantom Works by David Swain, 54, divisional general manager.

Kathryn Fong, 50, becomes vice-president customer services, and Leslie Everett, 45, vice-president and corporate secretary of PACIFIC GAS & ELECTRIC. Fong succeeds Lendrith Jackson, 58, who is taking extended leave for health reasons.

Diane d'Oleon, 43, most recently communications adviser in the French ministry of finance and foreign trade, joins DANONE, the French foods group, as director of corporate communications. Pierre Benach reports to her as director, financial communications.

Robert Parmenter, a 31-year EATON CORPORATION veteran, succeeds John Carmont, who is retiring, as Eaton's vice-president and treasurer on January 1.

Utz Claassen, financial director of Volkswagen's Spanish subsidiary SEAT, is moving to Germany as chairman of SARTORIUS.

Marcel Portela Alvarez and Jose Montes Fernandez have left the board of TELEFONICA DE ESPANA. They are replaced at the Spanish telecoms operator by Cristobal Ricardo Montero Romero and Miguel Zorita Lora.

Ake Fredriksson, 48, rises to president and chief executive of PERSTORP, the Swedish chemicals company, from January 25. He succeeds Gosta Wiking, who becomes chairman in

succession to Karl-Erik Schilberg. Michael Emery is to retire as senior vice-president of operations at DUPONT, the US chemicals group, on December 31. Emery, a 35-year Dupont veteran, was responsible also for Mexico and South America. He is not being directly replaced.

David Martin, recently retired president and chief executive of Occidental Oil and Gas, has retired from the board of CANADIAN OCCIDENTAL PETROLEUM.

Yin Chunde is appointed chairman of JINGWEI TEXTILE MACHINERY of Hong Kong, replacing Mei Zelsen, who has resigned.

Michel Rose, 53, becomes managing director at LAFARGE, the French construction materials group, taking responsibility for newly industrialised countries. He has been chief executive of Lafarge Corp in the US since 1992, where he has been replaced by John Picuch, 50.

HASBRO, the toys and games giant, has moved Dave Wilson, president of Hasbro games group, to

president, Americas of the new sales and regional marketing operation group. Ginger Kent, currently general manager, boys and girls toys, Hasbro toy group, becomes president of the brands and product development operating group.

Mike Maloney moves to head of operations in Europe, Middle East and Africa, at GATEWAY 2000, the US-based personal computers direct sales group. He succeeds Mike Dunne, who takes on a headquarters role.

Jeffrey Hurlbert, 48, has been promoted to executive director of sales for GENERAL MOTORS EUROPE, from January 1, co-ordinating Opel sales in 15 European countries. He succeeds Rex Razaq, who becomes vice-president of sales, marketing and after-sales for GM Europe.

Woody Knight has been appointed vice-chairman of SCANDINAVIAN BROADCASTING SYSTEM. This new position covers financial, legal, and administrative matters. He joins from Prudential

Securities in New York. Achmad Ralla has been appointed to the new post of chief executive of Indonesia's BUKARA TEKNIK UTAMA. He will be directly responsible to the president director, Fadel Muhammad. Scott Nelson, former president of Amerasia Hess Canada, joins the board of SPIRIT CORPORATION. Walter Pollock has joined PORTLAND GENERAL, the Oregon electricity company, as senior vice-president of municipal services. Portland General recently announced plans to merge with Enron Corporation of Houston. Sanat Dutta has been promoted to president of INGRAM MICRO, the US computer and distribution company.

Caral van der Spek, 48, joins the management board of F. VAN LANSHOT BANKIERS, the Dutch bank, from November 18. He will have special responsibility for investment banking and replaces Cas de Quay who has retired. Van der Spek was formerly general manager UK of AMRO London and most recently

vice-president in charge of global relationships at ABN AMRO Bank. Patrick Pitcher, 46, president and chief executive of Saatchi & Saatchi, has been promoted to chief executive of SAATCHI & SAATCHI ASIA, from January 1. He replaces Peter Watkins, who is leaving the advertising business. New Zealand Brewer LION NATHAN has appointed Gordon Cairns, currently managing director of Pepsi Cola Bottlers Australia, as managing director of its Australian brewing operations, after the appointment of Tony van Kralingen from South Africa fell through. Leon L'Huillier, the previous managing director, resigned in June.

International appointments

Please fax information on new appointments and retirements to +44 171 573 3826, marked for International People. Set fax to "ins".

FINANCIAL TIMES
Conferences

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Ivan Kimo
Chairman of the Board and President of Slovenska sporitelna

The Slovak Savings Bank, Joint-Stock Co. and its Position in Slovakia's Economy

The Slovak Republic ranks among the successfully transforming countries striving to join the European and world structures in an effective and efficient manner. The financial market has become the major principle of this complex process. The pillar of the financial market has been traditionally created by commercial banks.

The Slovak Savings Bank (SLSP) is a supporter and successor of the historical traditions of the savings banking system in Slovakia. It has a dominant position within this banking discipline in Slovakia. In the process of its development which dates back to the late 16th century, the savings banking system in Slovakia has undergone many changes. It was not until 1969 that we had been able to trace the establishment of the Slovak Savings Bank. After having been provided with a commercial bank licence in 1990, the Savings Bank has entered the process of transformation into a universal bank. In 1994, the state-run financial institution was turned into a joint-stock company.

The share of the SLSP total balance in comparison with the total banking balance on the relevant market in the Slovak Republic was 31% in mid-1995. The total balance is on a slight increase during the estimated period. In 1992, it amounted to 128 billion Czechoslovak Crowns (CZK). In 1993, it gradually grew by 6 billion Slovak Crowns (SKK), i.e. by 4.7%; in 1994, by SKK 10 billion, i.e. by 7.4%. In 1995, particularly in the 2nd half, SLSP had a progressive growth of its total balance. The end of 1995 saw its total balance amounting to SKK 162.5 billion which represents a growth of 13% as compared to the preceding year.

The SLSP's size and position on the capital market represents its 27.2% share in the total turn-over of trade operations concluded in the Bratislava Stock Exchange as well as its own stocks and securities which it has been administering for its clients. The SLSP provides its services and carries out banking operations particularly on the domestic market. However, there is a gradual growth of its share in international banking operations. It has built up an effective network of relations with 600 corresponding banks in more than 60 countries. Its connection to SWIFT in 1993 enabled the fast implementation of smooth and documentary payments through 37 Nostro accounts which were opened in 19 countries in 34 banks. It keeps 73 Loro accounts for 22 foreign banks.

In 1993, the SLSP became member of the VISA association and was actively involved in the world system of accepting VISA cards. At present, it provides 6 types of payment cards depending on the account's character (giro card, VISA Classic, VISA Domestic, VISA Business, EURO-26 and the Students' Card).

The SLSP has been operating on the financial and capital markets since 1991. Its highly professional services include those in the area of investment banking system, e.g. securities trading, exchange of primary emissions, be it shares or debentures; export/import financing, hard currency dealing, B/E trading as well as the provision of business consulting and information services.

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The Slovak Savings Bank, Joint-Stock Company
(former Slovak State Savings Bank)

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Slovakia

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SLOVENSKA SPORITELNA
Tuzova banka

TECHNOLOGY

Chemists turn over a new leaf

Any new weapon in the war against cancer is welcome. However, once a potential anti-cancer drug is discovered it then has to be made in sufficient quantities.

This is not always so easy, as shown by the problems developing commercially useful quantities of paclitaxel, a potent anti-cancer drug. First isolated in 1967, paclitaxel received little attention until the late 1970s when it was discovered that it had a novel mode of action against tumour cells. It "froze" the formation of microtubules, "spindles" which guide the chromosomes during cell division.

Work in the 1980s confirmed the drug's promise and Bristol Myers Squibb, whose trade name for the drug is Taxol, acquired the rights to it from the US National Cancer Institute. It was in 1989 that the production difficulties emerged. The main natural source for paclitaxel is the bark of the Pacific yew tree, but it took 15,000kg of bark to produce just 1kg of the drug. It was estimated that to produce the 200kg to 300kg required each year would wipe out the Pacific yew - listed among the world's endangered conifer species - within five years.

David Newman, a chemist at the institute's natural products branch, says: "It caused a major problem but not a panic. The treatment for one woman [suffering from] ovarian cancer required six 6in-diameter yew trees."

Amid protests from environmentalists, a worldwide search began for an alternative way to produce paclitaxel in commercial quantities.

Synthesising the drug chemically was commercially unfeasible, as it contains 112 atoms and the process would require some 30 separate steps. So an effort was made to look at close relatives of the tree for paclitaxel and its precursors.

Eventually, a compound called baccatin-3 was isolated from the needles of the common ornamental yew. This was then used in a semi-synthetic route which had been developed by Robert Holton of Florida State University.

The great advantage of this method was that the needles could be harvested each year without killing any trees. In 1993 Bristol Myers Squibb announced that it would no longer need to harvest Pacific yews, and the new process remains the main method by which the drug is produced.

But now a team of researchers at Mitsui Petrochemical Industries in Japan has come up with a different approach. Yukihito Yukimune and colleagues recently announced they had produced significant quantities of paclitaxel by biosynthesis or plant cell culture. The amounts produced, tens of grams in two weeks at their laboratory, may not sound much but it could be a landmark in this problematic compound.

Biosynthesis by plant cell culture - similar to the fermentation method used to produce most common antibiotics - has long been considered as an attractive method of producing paclitaxel. However, plant cell culture has so far found little commercial application and in contrast to bacterial cultures the plant cells grow much more slowly and are much less robust.

The team at Mitsui managed to increase yields of paclitaxel by about six times over previous plant cell culture efforts by adding methyl jasmonate, which stimulates production of the drug.

The process is still a long way from achieving commercial scale. Plant cell culture works in a liquid fermentation "broth" and the Mitsui team managed to operate the technique in a volume of 200 litres. Any commercial process would require production at volumes in the range of 100,000 litres.

The story of paclitaxel has not ended yet. The drug is used in breast and ovarian cancers, and there are promising results in trials for lung cancer and melanoma. Chemists will be looking to "improve" the paclitaxel molecule and biotechnology could play a role in this. But at least scarcity is not the problem.

William Macdonald

Ben Rosen is finding out - at the cost of some personal embarrassment - that when it comes to development glitches, cars can be more than a match for computers.

Undeterred by two minor fiascos with a prototype vehicle last month and in August, the chairman and founder of Compaq, the computer company which outsmarted IBM to become the world's biggest personal computer provider, is preparing to dip into his own pockets for up to another \$15m (\$9.6m). He hopes that will bring to fruition his brother Harold's, and now his own, dream of a revolutionary new power unit for cars.

The quest has already cost Rosen more than \$13m personally. He insists he will persevere until the new drive system, combining a small gas turbine engine with an energy-storing flywheel - and claimed to provide high performance with almost negligible exhaust emissions - has become reality.

The fiascos occurred when Rosen and his colleagues in Rosen Motors, a company Ben Rosen founded three years ago to progress the project, twice invited the media to watch a Saturn saloon fitted with the system put through its paces.

The car never ran. On the first occasion the turbine would not fire up - the result of a fuel-pump failure. On the next, more seriously, an electronics bug overloaded the flywheel bearings, causing them to fail. "A lot of other niggling little things went wrong," acknowledges Rosen. "Basically, we tried to run it prematurely." The consoling aspect, he insists, is that nothing went wrong "that was of concern to us in relation to the fundamental concept".

Rosen and brother Harold, Rosen Motors' president and chief executive, say they have already demonstrated the power unit repeatedly and successfully on a static dynamometer and that once again "we are real close to running the first road tests with the Saturn." Already, the group has developed a more advanced version, which is expected to start trials about the middle of next year in a Mercedes-Benz E-Class.

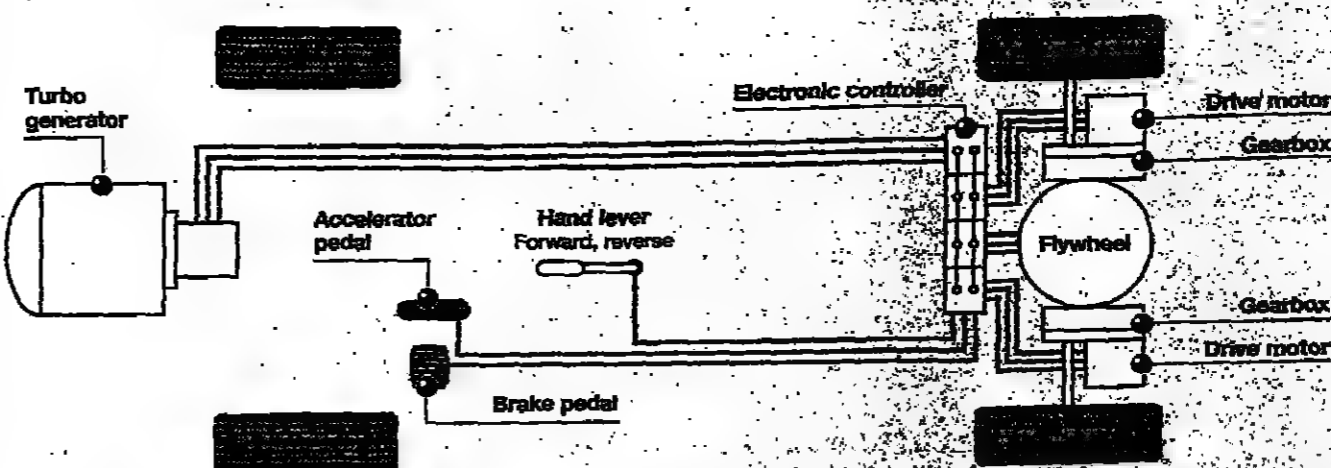
Ben Rosen, 63, and his 70-year-old brother, who led development of the first geostationary communications satellite, are anything but conservative in their claims for the power unit's capabilities. They insist that cars powered by it will:

- Have fuel economy of up to 80 miles per gallon.
- Be capable of accelerating

John Griffiths on bold but persuasive claims for one 21st century car

Mean, lean and green

The Rosen drivetrain: how it works



The drive system comprises a small gas turbine mounted under the bonnet in place of the conventional engine. The turbine develops 60 horsepower. It does not drive the wheels directly but generates electricity to power electric traction motors at each rear wheel.

On its own, the turbine would provide enough power to sustain a cruising speed of between 60mph and 70mph on the level, but mediocre acceleration from standstill and relatively poor stop-start ability. However, some of the turbine's electrical energy is also used to rotate a flywheel contained in a reinforced housing between the drive motors.

A flywheel acts both as a store for energy and - when coupled with a generator - an energy dispenser. But this is no ordinary flywheel. With a titanium hub and carbon fibre composite body, it has a diameter of 15in,

weighs about 20lb and spins at up to 55,000rpm live, meaning it is intended that once set spinning on its vertical axis it will fully developed vehicle it will retain enough energy to get the car rolling again when it has been parked for up to six weeks.

Additional electrical energy is recovered by the flywheel through regenerative braking, an established and widely used principle of capturing in electrical form the energy normally lost through braking.

At its maximum, the flywheel is storing the electrical energy equivalent of 800 horsepower.

It is when the driver puts the accelerator down hard that the "heart centre" of the Rosen drivetrain comes into play.

When maximum power is needed, it switches the flywheel to generator mode.

When the electrical energy surge subsides, the flywheel returns to the electric motor mode. "With the 80 horsepower from the turbine, that means a substantial energy reserve in the back of the car," says Rosen.

The system can provide perpetual motion, says Rosen, as a series of regenerative braking cycles would draw energy from the road and store it in the flywheel, and so on, indefinitely. But, insists Rosen, "there is more than enough energy in there to satisfy any known driving profile."

For is the system safe or reliable? "The electronic controller is designed from the ground up to be fail-safe, with the flywheel in a similar manner to a conventional car," says Rosen.

When maximum power is needed, it switches the flywheel to generator mode.

from standstill to 60 mph in about seven seconds, or faster than most sports cars.

● Possess mechanical simplicity, with only a handful of moving parts and almost total freedom from maintenance.

● Generate no more air pollution than battery-powered cars recharged by fossil fuel power stations - the Rosens' main motivation for pursuing the project.

"Put simply, we have the key to the 21st century automobile," maintains Rosen. "This mean, lean and green powertrain is the first major shift in automobile technology since the invention of the internal combustion engine."

Statements like that have typically been made by impecunious inventors seeking industry finance throughout the century-long history of the motor industry. Usually, they have sent justifiably sceptical motor indus-

try executives scuttling for cover.

The sheer stature and technical and commercial track record of the Rosens puts Rosen Motors in a different category. Ben Rosen was listed as one of the few people to have "changed the world" by Computerworld magazine four years ago; Harold is popularly known as the "father" of the geostationary satellite, which has made possible instant global communications.

Even so, "the automakers are understandably being very cautious," says Rosen. "It is very much a case of 'come and see us when you've done it'. There are a lot of sceptics. It's a bit like pushing spaghetti to make things happen."

Much of the scepticism centres on the flywheel part of the system and safety issues - such as

the spectre of a 20lb flywheel breaking away from its mountings while spinning at 55,000 rpm. An effective containment system, Rosen acknowledges, is perhaps the biggest challenge, which now employs 60 people within Rosen Motors itself and a similar number in its related turbine company.

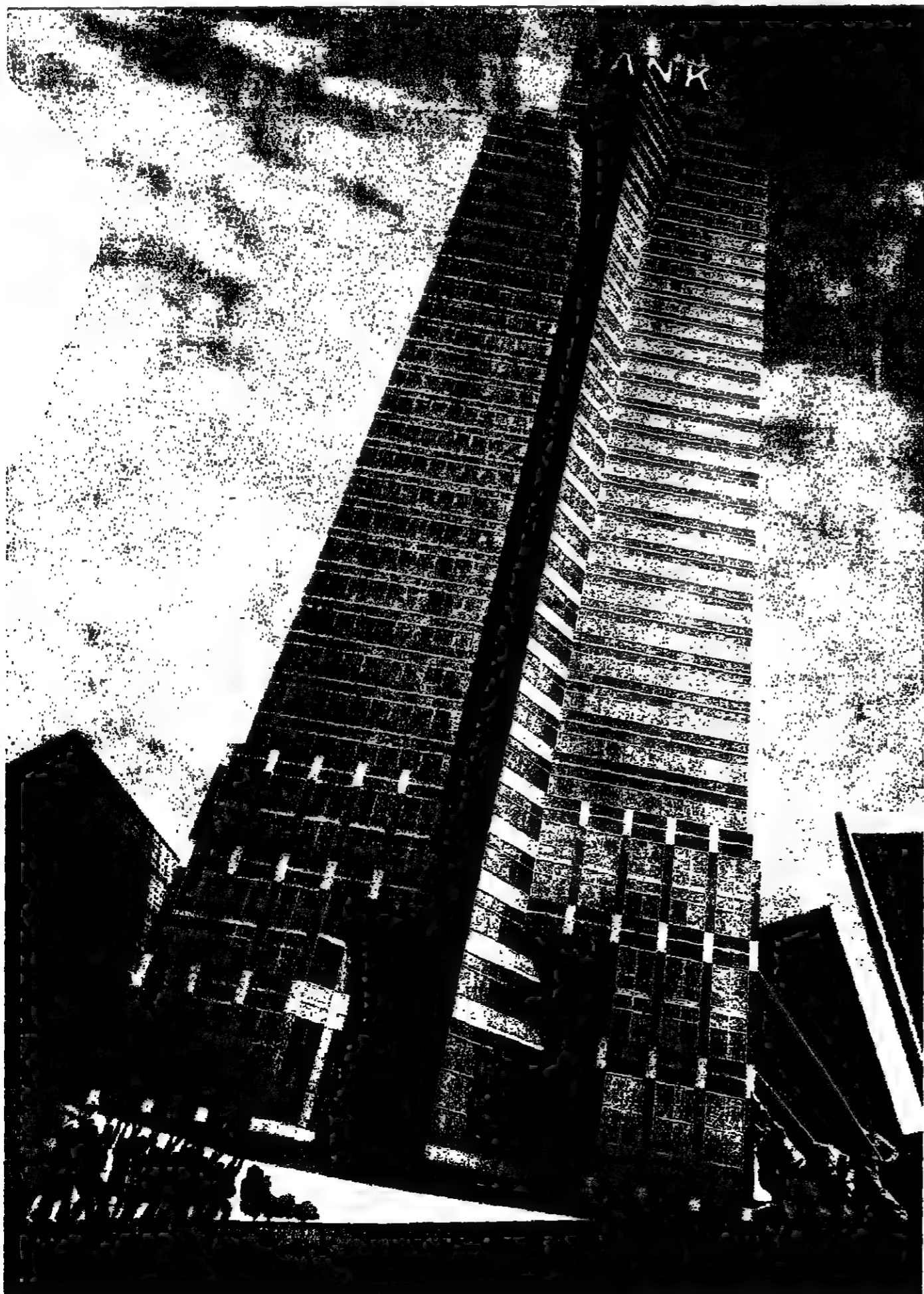
The Rosens' commitment is such that they have another ambitious plan to get the spaghetti moving: to produce in 1998 a limited run of 1,000 luxury cars - possibly Mercedes SL model - fitted with the system.

They would have to be sold at what Ben Rosen describes as an "elevated" price. However, he says, the high costs of this project could be offset by revenue from selling stationary electricity-generating systems based on the turbine technology.

This has been made possible by

the purchase of the Tarsana, California-based company which has developed the turbine generators through Ben Rosen's own venture-capital company, Sevco. In partnership with several other investors, Rosen is prepared to fund the project through to the end of 1997, after which further outside investors will be sought if necessary. What Rosen will not do is apply for any of the extensive US state or federal grants that have been made available to the motor and related industries to come up with battery-powered vehicles or other solutions to California's chronic air quality problems.

"My main reason is philosophy," stresses Rosen. "It is an inappropriate use of taxpayers' funds to provide corporate welfare for companies which have billions and should be able to fund programmes on their own."



Which side are your customers on?

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ARTS

Concert/Stephen Pettitt

Jansons conducts a memorable comeback

Recital

Taste of Gerhard

Although there has been no major festival featuring his music since the London Sinfonietta's Schoenberg/Gerhard series in 1973, the Anglo-Spanish composer Roberto Gerhard has at least managed to keep up a sporadic presence in this century year of his birth.

We can now hear a sizeable proportion of his output on CD and have even been able to experience a few of his major works in the concert hall recently, not to mention his opera *The Duenna*, due out on CD next year from Chandos following its revival by Opera North last year. Even so, justice has hardly been done to this major master, whose late works in particular are as inventive, innovative and rewarding as any from this half of the century.

So it was disappointing that a recital at the Purcell Room last Thursday by the Kreutzer Quartet, due to feature Gerhard's two string quartets, was unavoidably cancelled owing to the injury of the group's cellist. But its replacement by a hastily assembled programme by the Kreutzer's leader, Peter Sheppard, and the pianist Aaron Shorr did at least provide a well-thought-through substitute of major 20th-century violin and piano works, and offered some compensation for Gerhardists in the form of the master's eloquently wrought Chaconne for solo violin, which Sheppard despatched with a panache which belied its superhuman technical demands.

The inclusion of pieces by the other composers due to have featured at the quartet concert, Schoenberg - who was Gerhard's teacher - and Hugh Wood - who has acknowledged Gerhard's (and Schoenberg's) influence on his own music - also helped to capture something of the spirit of the advertised recital.

If Wood's recent *Poem*, an impassioned song without words, seemed to owe most to Gerhard's Spanish-serial works of the 1950s, Schoenberg's late *Phantasie* was remarkably present of the mature Gerhard in its single movement and elusive thematic working, even if its combative surface is temperamentally the obverse of the scintillating euphoria of his pupil's most characteristic inventions.

That joy repeatedly surfaces in Debussy's late *Sonata* which, together with Satie's *Choses vues à droite et à gauche*, reminded us of Gerhard's early French leanings.

Framing the whole recital were two pre-war classics, full-blooded homages to their composers' respective folk traditions, which Sheppard and Shorr attacked with typical empathy and virtuosity, responding as eloquently to the rapid mood swings of Janáček's *Sonata* as to the exuberant melange of Ives's *Sonata No.2*.

It would be good to hear these players do Gerhard's late masterpiece for the medium, *Gemini*.

Antony Bye

Earlier this year the world of classical music was shocked in its quiet way when it was announced that the Latvian conductor Mariss Jansons had fallen victim to a heart attack and would be cancelling all further engagements. And as so often, it happened to an apparently unlikely person.

Although his father, the conductor Arvid Jansons, also suffered from heart problems, Mariss, jawed, appeared to be an unassailably durable figure, though one noticed that he no longer cut the

slim, dashing figure that he used to. Without warning, a conductor who was always the critical flavour of the month was not even one of the favourites on offer.

Now, after a six-month convalescence, he is on his way back, albeit little by little, and flatteringly he chose the BBC National Orchestra of Wales above those other fine orchestras with which he has more lately been intimately associated - the Oslo and St Petersburg Philharmonics - to show us that he has lost none of his interpretative gifts.

Conducting in the sparsely

attended and testily dry acoustics of Sheffield City Hall, he gave a majestic and memorable reading of Bruckner's Seventh Symphony.

There were long pauses between movements - perhaps a musical rather than a physical decision - but from a distance a newly shamed Jansons looked healthy enough.

His performance utterly transcended the technical blips like the patches of scrawny tone, unmercifully exposed, that now and again came from the upper strings.

In any case, there is nothing

wrong with BBCNOW's ripe woodwind and rounded brass sections (the latter considerably expanded in this work), nor with the entire orchestra's ability to pull together and play as one. They are certainly a long way from being 'the world's worst orchestra', as a colleague rather ill-advisedly described them elsewhere not long ago.

What characterised the reading above all, and what was evident in the finely coloured, gradual unfolding of the first movement, was Jansons's beautifully measured, unhurried phrasing, which

ideally blended the intuitive with the calculated.

There was microscopic attention to internal balance and the finest tuning of the music's characteristic layered dynamics. And was it just fancy that the conductor's brush with death had left him with an ever so slightly slightly deeper, ripper insight than before? This is, after all, a work that can be seen as a reflection upon death and transfiguration.

Since reactions in these circumstances can rarely be entirely objective it is impossible to say for certain. But it is possible to

report that the Adagio, Bruckner's great outpouring in homage to Wagner, had an affecting sweep that intensified this music's already intense power, and that, just as in the preceding Scherzo, Jansons achieved what he did by allowing the music to be itself rather than through too much imposition from the outside.

By the close of the journey, Bruckner's music had certainly achieved its purpose of elevating our senses to higher spiritual planes. It is wonderful to have Jansons back.

Narrow academy

William Packer on this year's short-list for the Turner Prize and the work of the Jerwood award winners

Today the work of the artists short-listed for this year's Turner Prize, worth £20,000 to the winner, goes on show at the Tate, while last month saw the two Jerwood Prizes awarded, £30,000 for painting, and £15,000 for ceramics. These exercises, distinct in themselves, stand apart from the many other prize exhibitions in the calendar, not by virtue of their generosity but in respect of their short-lists.

They not only stoke up particular excitement about the result as an event, but also propose a more general importance. Whether it is justified is another matter.

This is the Turner's problem, for with the authority of the Tate behind it, and the name of England's greatest painter to enhance it, the inference is clear. And yet, having been thus set up, it is immediately qualified. "To a British artist under 50 for an outstanding exhibition or other presentation of their (sic) work", runs the rubric.

Leaving aside the ageist incorrigibility of the organisers, quite why the under-50s should be thus privileged has never been satisfactorily explained. Is it really only the work of the young that is interesting, radical, relevant, "cutting-edge"? The Turner Prize... is raising awareness of new art, and allowing younger, fresher voices into the Tate's hurbles Janey Walker of Channel 4, the sponsors, though the rules have nothing of any such purpose or prescription. The reality is that the last thing any artist Turner jury is prepared to do is to pick for its short-list any artist not of the narrow academy of the current avant-garde.

So who are this year's fresh outstanding voices? Douglas Gordon

(29), he of the '24 hour Psycho' shown at the Hayward earlier this year, works with film and video. He now shows a work based upon a pre-war 'Dr Jekyll and Mr Hyde', using two large screens, again slowing the speed somewhat and making comparative cross-play between positive and negative, reversal and inversion.

Gary Hume (34) is a painter who makes *ham-fistedness* a salient virtue. He uses thick house-paint in bright colours and broad flat doses, simplifying his imagery to near-invisibility - a pair of feet, a hand, an archy ironical brown and orange snowman. His green 'Whistler', in which we can just make out two fingers in a mouth, "plays on references to the celebrated artist of the same name."

Simon Patterson (29) shows a map of the London Underground on which the stations are named after different categories of people, saints, artists, footballers and so forth. He has also covered an entire wall with a system of cosmic orbits, each assigned to an ideal world or state - Xanadu, Shangri-La, Cloud 9 and so on. In the centre of the room are three sails on steel frames, each sporting the name of a writer, Lawrence Sterne, Currier Bell and Raymond Chandler. He "enjoys the relationship between language and objects... making connections... discovering their literal and metaphorical potential..."

Craigie Horsfield (46) is a photographer whose subject is the world about him, in this instance a set of portraits, a nude, a dance hall, a view across Barcelona's roofs at night. He leaves his negatives for years before working on them, bringing the past as it were into the present. He prints them up inordinately enlarged, which

inevitably lends a portentous presence to what might otherwise be unremarkable. The winner will be declared on November 28. *Messieurs, mesdames, faites vos jeux.*

By coincidence, though the Jerwood prize shows are now over, the two winners have shows in London. John Hubbard (65), at Purdy/Hicks, is as fine a painter from the landscape as we have, and one, *pace* the Turner, clearly changing, developing and maturing all the time, and in the most engaged and radical way. His work lately has become more direct, less abstracted in its response, all clouds and storms and waves breaking on the shore. The vertiginous views above the sands of an estuary, spread out like a map far below, are subtle yet adventurous, his best yet.

Philip Eglin (37), at Contemporary Applied Arts, stands in a tradition of figurative ceramic that goes back variously through Staffordshire and Chelsea all the way to the Han and Tang dynasties, yet remains entirely of the present. He demonstrates, moreover, along with Claire Curmeen who shares the gallery, that much of the most adventurous work with the modelled figure is being done in the field of ceramic. His work is properly sculpture by another name, beautifully modelled with a relaxed assurance that recalls Delo as much as anyone, for all the activity of the surface decoration. These are remarkable and beautiful things.

The Turner Prize Exhibition: Tate Gallery, Millbank SW1, until January 12, sponsored by Channel 4. John Hubbard - Scottish Paintings: Purdy/Hicks, 65 Hopton Street SE1. Philip Eglin: Contemporary Applied Arts, 2 Percy Street W1, until November 2.



'Seated Nude' by Jerwood prize winner Philip Eglin

Theatre/Alastair Macaulay

Tension in 'A Doll's House'

until tomorrow"), and nervous gush that she makes Nora bullish-factions, half-furiously which is, surely, her intention. All of these thoughtless ways and manners they are part of the immature skin she starts to shed at the end of the play. And, as she finds herself in one dilemma after another, she wonderfully, shuts them wide; so that, as the final act proceeds, you truly feel the scales falling from her eyes.

But it seems wrong to analyse her performance in terms of individual features. Indeed, at two or

three points, I think she miscalculates or misfires. (In particular, she overdoes the overwrought shrieks in her not-good-enough tarantella. In 1879, by the way, the original Nora, had begun her stage career as a Bourdonville-trained ballerina in Copenhagen, and would have danced many tarantellas in such ballets as *Napoli*.) But the overriding virtue of McTeer's performance is its unhesitating immediacy. This Nora is all self-contradictions. When Nils Krogstad leaves her, having made his bombshell announcement that he will not be dragged to the gutter without tak-

ing her with him, she is left alone. She stands quite still then she slowly sits down and in the next moment she says "Rubbish!" and laughs it off; or, rather, she tries laughing it off for the soliloquy that follows is all vacillation.

Most thrilling of all is her pacing of the final scene with her husband. When she comes to the play's most famous line, the great feminist credo "I believe that I am a human being!", she has been backed by him, almost literally, up against a wall, and it comes from her as a hoarse, almost voiceless, scream, not loud; then, through the marvellous shock

that follows that climax, she adds, with less tension and more voice, "Or at least I will try to become one." She is still weak, and knows it, and her humility and realism are extremely moving. Only later does she achieve anger (feminist anger, too).

When he says "No man sacrifices his integrity for the person he loves", she shouts back "Hundreds and thousands of women have!" with sudden, rasping rage, from the chest.

McTeer wears her hair flowing fully down to her waist throughout, and her slender figure has seldom appeared to better advan-

tage. She is a tall woman, but she keeps her body language and voice always in minor, domestic scale. Owen Teale, as her husband, is tall and broad enough to make her seem frail, and he conveys in every way the assurance she lacks. The way he reaches the verge of marital rape, earlier in the last act, is very finely judged. But fine judgment is in evidence almost everywhere here. Witness the casting of Gabrielle Lloyd as Kristine Lande, John Carlisle as Dr Rank, and Peter Gowen as Krogstad: roles all played in the round, revealing themselves and surprising us from one minute to the next.

For this, every praise to Anthony Page's direction. I query several decisions made by Frank McGuinness, author of the new English version used here, but the text plays well.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6719345

● Koninklijk Concertgebouworkest: with conductor John Eliot Gardiner and mezzo-soprano Anne Sofie von Otter perform works by Weber, Mahler and Schubert; 8.15pm; Oct 31

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● The Unbelievable Truth: exhibition of works by young artists living in Amsterdam and Glasgow. Included in the exhibition are works by Fanni Niemä-Junkola, A.P. Komen & Karen Murphy, David Stringley, Job Koelewijn and John Shankie; to Dec 8

ANTWERP

DANCE
De Singel
Tel: 32-3-2483800

● Le cri du caméléon: a choreography by Josef Nadj to music by Tickmayer, performed by the Compagnie Anonyme and the Centre Chorégraphique Nationale d'Orléans. Soloists include Etienne Arletaz, Arnaud Clavet and Vincent Gomez; 8pm; Oct 29, 30

BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2661000

● Orchestre de Chambre de Lausanne: with conductor Jesus López Cobos, harpist Chantal Mathieu, harpsichordist Christiane Jacquot and pianist Brigitte Meyer perform works by Faure, Martin and Bizet; 8pm; Oct 31

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090

● Missa Solemnis in D major, Op.123: by Beethoven. Performed by the Philharmonisches Orchester Köln with conductor Gert Sell, soprano Daniela Gericko, alto Saskia Klumpp, tenor Krzysztof Szmyt, bass Holger Gerberding, organ player Jürgen Lindner and the Berliner Oratorienchor; 8pm; Oct 30

CHICAGO

THEATRE
The Goodman Theatre
Tel: 1-312-443-3800

● Seeking the Genesis: by Contron. Directed by Walter Dajtas. The cast includes Ora Jones, Demetrius D.Thornton,

Raphael Chestang, and Tim Edward Rhoads; Tue-Thu, Sun 7.30pm, Fri, Sat 8pm, Sun also 2pm; to Nov 17

GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573

● Orchestra of St John's Smith Square: with conductor John Lubbock and pianist André Watts perform works by Rossini, Beethoven, Delfus and Schubert; 8.30pm; Oct 31

LONDON

CONCERT
Barbican Hall
Tel: 44-171-6384141

● London Symphony Orchestra: with conductor Riccardo Chailly perform works by Mozart and Britten; 7.30pm; Oct 30
Purcell Room
Tel: 44-171-9604242
● Gould Piano Trio: perform works by Haydn and Dvorák; 1.05pm; Oct 31

MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100

● Orchestre de Chambre de Lausanne: with conductor Jesús López Cobos and soprano María José Montiel perform works by Haydn, Mozart and Weber; 7.30pm; Oct 30

MUNICH

OPERA
Nationaltheater

Tel: 49-89-21851920
● Ariadne auf Naxos: by R. Strauss. Conducted by Sir Colin Davis and performed by the Bayerische Staatsoper. Soloists include Susan Graham, Christiane Schäfer and Hermann Prey; 7.30pm; Oct 30; Nov 2

NEW YORK

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000

● Carmen: by Bizet. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Angela Gheorghiu, Plácido Domingo and Sergei Leiferkus; 7pm; Oct 31

PARIS

EXHIBITION
Musée d'Orsay
Tel: 33-1 40 49 48 14

● L'Origine du Monde - autour d'un chef d'oeuvre de Courbet: exhibition seeking to retrace the history of Gustave Courbet's painting "L'Origine du Monde". Other major works included in the exhibition are Ingres' "Le Bain Turc" from the collection of the Musée du Louvre, "Le Sommeil" from the collection of the Musée du Petit Palais, and Courbet's "La Source de la Loue" from the collection of the Albright Knox Art Gallery in Buffalo; to Jan 5

SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern

Art Tel: 1-415-357-4000
● Katharina Fritsch: this is the first solo museum survey of the work of this young German sculptor, who represented Germany in the summer 1995 Venice Biennale. From Oct 31 to Mar 11

STOCKHOLM

CONCERT
Stockholms Konserthus
Tel: 46-8-7850200

● Filharmonikerna: with conductor Andrew Davis and cellist Frans Helmerson perform works by Janáček and Dvorák; 7.30pm; Oct 30

STRASBOURG

OPERA
Théâtre Municipal de Strasbourg - Opéra du Rhin
Tel: 33-88 75 48 00

● Owen Wingrave: by Britten. Conducted by Claude Schnitzler and performed by the Orchestre Symphonique de Mulhouse. Soloists include Christian Tréguier, Jean-François Monsvoisin and Dominique Gless; 8pm; Oct 30

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681

● Ilidko Raimondi: recital by the soprano, accompanied by pianist David Lutz. The programme includes works by Schubert; 7.30pm; Oct 30

EXHIBITION
Palais Harlach

Tel: 43-1-52524
● The Message of Music - 1000 Years of Music in Austria: exhibition focusing on music composed or performed in Austria since the early Middle Ages. The exhibits include autographs, manuscripts, instruments, and other objects; to Apr 1

WASHINGTON

CONCERT
Concert Hall
Tel: 1-202-467 4800

● National Symphony Orchestra: with conductor Barry Jekowsky, pianist Awadagin Pratt and mezzo-soprano Virginia Alonso-Tokarz perform works by Theodorakis, Falla and Tchaikovsky; 8.30pm; Oct 31

ZURICH

EXHIBITION
Museum für Gestaltung Zürich
Tel: 41-1-446 2211

● Universal: this exhibition of objects, posters, videos, documents and other items focuses on the growing desire to unite as many functions as possible into one design; from Oct 30 to Jan 5

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Financial Times Business Tonight



Martin Wolf

An unhealthy trade-off

Little discipline has been imposed on the growing number of preferential trade agreements which can cause more economic harm than good

Names matter. Who but a staunch protectionist could have anything against a "free trade agreement"? "Preferential trade agreements" sound less benign, while "discriminatory trade agreements", yet another name for the same thing, sound nasty. They can indeed be nasty – and need to be controlled.

Between 1947 and 1992, 85 preferential trade agreements were notified to the General Agreement on Tariffs and Trade (GATT), predecessor of the World Trade Organisation (WTO). Since 1992 another 60 have been added. Altogether, 80 of the 145 are in force.

All but three WTO members – Japan, Korea and Hong Kong – are members of one or more preferential trade arrangements. Some of the latter are of little global significance – that between Slovakia and Slovenia, for example. But some, such as Mercosur in south America and Asean in south-east Asia, include big developing countries. Those within Europe and north America embrace the globe's foremost trading powers.

Notwithstanding their importance, virtually no discipline has been imposed on the growth of these arrangements. While only one has been found in full conformity with the GATT, none has ever been rejected. Effectively, these arrangements operate in limbo. Meanwhile, alongside the preferential arrangements, strictly defined, have come a number of still broader initiatives, such as the Asia-Pacific Economic Cooperation forum (Apec) and, more speculatively, the Transatlantic Free Trade Arrangement (Tafta). Since these potentially cover most trade, they threaten the development of mutually inconsistent rules and imperil the WTO's relevance as a rule-making forum.

Proponents argue that:

negotiated in a closed group of like-minded countries than in the unwieldy WTO.

● Where global liberalisation is infeasible, regional trade agreements are the best alternative.

● Regional trade agreements stimulate global liberalisation.

● Regional trade liberalisation is beneficial because proximity determines whether countries are natural partners.

● Preferential trade liberalisation between "natural" trading partners is economically beneficial.

None of these arguments is compelling.

First, even if rules could be agreed more easily among like-minded countries, there is no reason why these countries should be neighbours. Nor is there any reason why the membership any such group should be limited in advance. It would be far better to open discussions intended to develop rules in areas not covered by the WTO to any country prepared to join.

Second, the argument that global trade liberalisation is infeasible is hardly credible after successful completion of the Uruguay Round of

multilateral trade negotiations. Nor do the US and EU need to go outside the WTO to pursue liberalisation. On the contrary, they have themselves been among the principal obstacles to liberalisation within it.

Third, preferential trading arrangements may have stimulated global liberalisation. But there is no inevitability about this. In fact, negotiating preferential agreements raises obstacles to further liberalisation, by diverting time and effort and by creating vested interests in their continuation.

Fourth, proximity does not determine whether a country is a "natural" trading partner. Other things being equal, a country will trade more with a neighbour than half a world away. But a country will do more trade with a big, but distant, country than with a small neighbour. In 1993 Chile sent 6 per cent of its exports to Argentina and 16 per cent to the US.

Finally, even with "natural" trading partners – by which is meant countries with which bilateral trade is large – preferential trade can be harmful. The point is explained in a rigorous analysis

by Professors Jagdish Bhagwati of Columbia University and Arvind Panagariya of the University of Maryland. If two countries already trade a great deal with each other, room for beneficial additional trade may be small. But if trade is diverted towards a high-cost partner, away from lower-cost suppliers elsewhere, the losses may be large. One source of such losses would be the transfer of the tariff revenue on imports from the rest of the world to uncompetitive producers in partner countries.

As if to demonstrate the truth of these propositions, a draft report by Mr Alexander Yeats of the World Bank raises doubts about the benefits of Mercosur. Although Mercosur has led to a rapid rise in trade among its partners, that growth may not generate many economic benefits.

As Mr Yeats demonstrates (and the chart indicates) the most rapid increase has been in transport equipment and machinery. These are capital-intensive goods, in which members of Mercosur have shown little global competitiveness. In fact, says Mr Yeats, the higher the rate of growth of internal trade in a category the worse its performance on world markets has been.

Why has this happened? The answer is that for some uncompetitive products Mercosur retains high-tariff and non-tariff protection. Importing countries are paying high prices for imports of these goods from their partners – a recipe for mutual impoverishment.

The way to lower these costs is to eliminate the distortion, by moving towards external liberalisation as rapidly as possible. This is just as true for other arrangements, such as the EU and NAFTA. Similarly, the simplest way to minimise the potential problem of mutually inconsistent rules is to negotiate

them at a global level.

The conclusions are simple enough:

● Discriminatory (or preferential) liberalisation is not necessarily beneficial for participants, let alone the rest of the world.

● Geographical proximity need not be the right starting point for preferential liberalisation.

● The best way to develop consistent and predictable rules for a liberal global economy is unlikely to be through discussions in groupings that are closed to outside members.

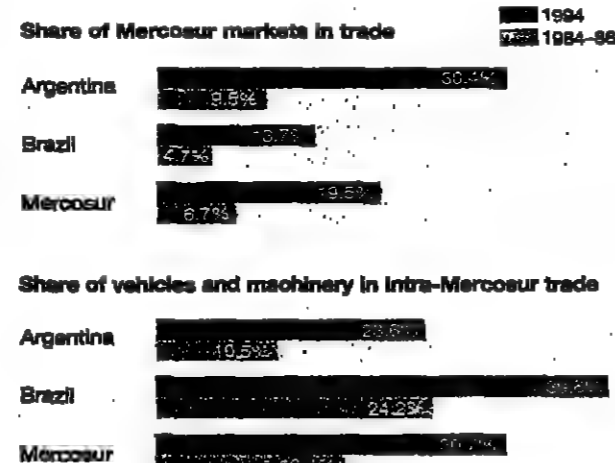
Discrimination within exclusive sub-groups cannot provide an enduring basis for a world-wide order. It is bound to generate friction and create inconsistency. Protection for these reasons, non-discrimination and multilateral negotiation were the founding principles of the GATT. They were seen as ways to protect the weak from the bullying of the strong; to promote economically rational trade, instead of arbitrary favours; and to put coherent and predictable rules in place of a patchwork of mutually inconsistent and complex trading regimes.

The uncontrolled march towards regionalism threatens all this. At the least, WTO disciplines on regional initiatives must be given bite. Ideally, the thrust towards regional liberalisation and rule-making needs to be shifted firmly into global channels.

* Preferential Trading Areas and Multilateralism – Strangers, Friends, or Foes? in *Bhagwati and Panagariya* (eds), *The Economics of Preferential Trade Agreements* (American Enterprise Institute, Washington DC, 1996).

Does Mercosur's Trade Performance Justify Concerns about the Effects of Regional Trade Arrangements? Yes! (World Bank, mimeo)

Trade diversion in South America



Source: UN Comtrade records; Yeats

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 8UL

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Mr Issing not even growing

From Ms Alison Cottrell

Sir, Would that the tone of your editorial ("Mr Issing barks", October 25) – that Germany is recovering to a degree that puts the interest rate risk on the upside – were true, at least for the sake of its 10.4 per cent unemployment. While the evidence you present is undoubtedly correct, it is, however, misleading.

True, output is now 6.4 per cent above its February level; that is what happens when you compare a summer month with a month so cold that virtually nothing could be produced or built. On a nine- or 12-month comparison, output is 2.4 per cent higher. True, gross domestic product grew at a 2 per cent pace in the 1996 third half (and it is a sad reflection on the extent to which we have become accustomed to a near-recessionary Europe, that this seems startling). This is a very big "if", and while the statement is, again, undeniably correct, it is scarcely relevant to

year's tax policy will have done little to encourage confidence at home.

True, M3 rose at an 8.4 per cent rate to September, on the Bundesbank's idiosyncratic annualised measure. But this is far from the course for a central bank which has missed its targets as often as it has hit them, and a strong "headline" conceals some very weak bank lending numbers. And, true, the D-Mark has fallen 6 per cent from its March 1995 peak – the rapid ascent to which proved a nightmare for both central bank and economy, and which took more than a year of skilful policy and speech-writing to correct. Compared with January 1995, the D-Mark is an insignificant 0.3 per cent lower.

"If it were not for very low consumer price inflation, the Bundesbank might even be thinking of tightening". This is a very big "if", and while the statement is, again, undeniably correct, it is scarcely relevant to

Germany at the present time. In a fragile, low-inflation recovery, the Bundesbank will continue to pursue a policy of stability. Interest rates have not been cut in 1996 to kick-start growth, but to prevent the very gradual recovery already in place from being knee-capped by D-Mark appreciation. A stable monetary environment does not necessarily imply rigid interest rates.

Mr Issing's teeth are, indeed, very sharp. But, contrary to the one factually questionable statement in your editorial, the Bundesbank's watchdog is not "just barking". He has not even felt the need to growl when he does, the markets will not need to look to newspapers to discover they have been savaged.

Alison Cottrell, executive director, PaineWebber International (UK), 1 Finsbury Avenue, London EC2M 2PA, UK

Little confidence in Czech stock market

From Mr Markus Winkler

Sir, I noted Vincent Boland's understated observation "Mr Klaus rarely reacts to the sentiments of foreign investors" in his article on the Czech banking crisis ("Prime minister hails interest of foreign investor", October 23). This comment fails to convey Mr Vaclav Klaus's disdain for protecting minority

shareholders' interests. I know Mr Boland was present at an election rally earlier this year when a Czech shareholder asked Mr Klaus what he proposed to do about insider dealing on the Czech stock market. In dismissing the question, Mr Klaus replied: "Minority shareholder rights are the flavour of the month!" The Klaus government has a long way to go to convince

foreign investors to return to the IPB Bank-dominated stock market, rife with insider deals. A good start would be to announce public support for an independent Securities and Exchange Commission and actually to create one.

Markus Winkler, Wernersstrasse 14, 8038 Zurich, Switzerland

Women already spotted Republican flaws

From Ms Louise van der Laan

Sir, Michael Prowse ("Politics of gender", October 29) hopes that if "American conservatives argued their case more

abruptly, they just might win back more women voters". He misses the point. It is not that the Republicans do not argue their case well; it is that their policies are flawed. And perhaps women

have been a bit more astute in spotting this. Louise van der Laan, Patriottensaat 3, 1000 Brussels, Belgium

Staying the course benefits others

Last week we said that economic return is an important factor in our decision to enter or exit business in any nation. A corollary to this—particularly in countries where attention is focused on civil and political reforms—is our belief that great global companies can be a positive force for change. We know this from our experiences in Indonesia, Saudi Arabia and Nigeria.

Some 30 years ago, an abortive coup by the Indonesian Communist Party triggered bloodshed and months of turmoil. Operating in the country since the turn of the century, Mobil had a substantial presence as well as assets there. We had a choice to make. Fortunately, those who made the choice reasoned that it was better to ride out the storm than to cut and run.

Five years later, the Arun natural gas field was discovered in Sumatra. That discovery made Mobil one of the world's leading natural gas companies and gave us a major source of earnings for many years. Indonesia also gained from the discovery, becoming a leading exporter of natural gas liquids and a major economic force in the Asia-Pacific region. In the process, many of its citizens acquired skills that would lead to high-wage jobs and successful careers.

From the very beginning, Mobil and the government of Indonesia partnered for mutual benefit. The goal was to make Arun both a technical and commercial success. The project's viability was tied to Mobil's transferring technical know-how to the native work force. We established a technical school in northern Sumatra so Indonesians could acquire the skills needed for this monumental project. Many later went on to receive engineering degrees.

Our presence in Saudi Arabia brought similar benefits to its citizens. As a partner with Aramco, the state-owned oil company, Mobil trained many young Saudis as we helped develop

the kingdom's resources. The curriculum included planning, market economics and organization along with on-the-job training in how large multinational oil companies operate. Many of the kingdom's present business leaders as well as several government officials came from Aramco's ranks.

Such experience keeps us optimistic about our impact in Nigeria. Through our joint venture with Nigerian National Petroleum Corporation, Mobil produces for Nigeria about 500,000 barrels a day of liquid hydrocarbons from several offshore fields. Our operations there date back to 1907. The investments that we and others are making to develop its energy resources are helping provide for the nation's future.

With nearly 1,600 employees—95 percent of them Nigerian nationals—our people range from clerks and secretaries to plant managers and directors. They enjoy employment conditions hard to match in any other industry, including training, development and advancement inside and outside Nigeria.

Mobil's impact and investments go far beyond the gates of our facilities. Because our affiliates in Nigeria are an integral part of their local communities and the nation as a whole, our people have developed programs that benefit many levels of society. These include projects in education, health, water supply, roads, electricity, sports, as well as the arts and culture.

Should American oil companies and other multinationals continue to invest heavily in developing countries—even trouble spots? The answer is yes. We will continue to explore for and develop the oil and gas supplies needed in the years ahead. Rather than cut and run from trouble spots, we will work to change them. By operating to the highest standards of business ethics, social responsibility and environmental safety, we believe Mobil can positively influence change.

Mobil

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The FT Interview • Helmut Maucher

The threat from without

Nestlé's chairman tells Lionel Barber Europe must become more competitive

What does big business want from the present negotiations in the intergovernmental conference on the future of the European Union? According to Mr Helmut Maucher, chairman of Nestlé since 1990, a more effective, better-managed Union, one which looks outward at the competitive threat facing European business rather than inward at the malaise of its own organisation.

Mr Maucher, who comes from the German milk-producing region of Allgäu, is a committed European whose private obsession has long been competitiveness. But he also speaks for some of Europe's largest businesses: this year he became chairman of the European Round Table of Industrialists (ERT) which brings together 47 heads of companies such as British Petroleum, Bayer, Ericsson, Philips and Siemens.

In the mid-1980s, the ERT, led by Floris Maijers of Unilever and Carlo De Benedetti of Olivetti, helped Jacques Delors drive through the vision of a single European market of 350m consumers. Mr Maucher now warns that unless the 15 member states strengthen their capacity to act collectively, the Union is condemned to further political and economic decline in relation to the US and Asia.

"The mentality of Europe is in many ways the mentality of a dying society," he says during an interview at Nestlé's Frankfurt office. "We suffer from hedonism, narcissism and the unwillingness to take risks. We are moving from a society of commitments to a society of options."

A crusty industrialist of the old school, Mr Maucher, 68, has never been afraid of speaking his mind. He made his reputation in the 1970s defending Nestlé during the controversy over the promotion of baby-milk products in developing countries.

He can quote the recent European Commission report which showed the Union's share of exports to other countries in the Organisation for Economic Co-operation and Development has been falling since



Helmut Maucher: never afraid to speak his mind

1987. The report blamed a weak presence in growth markets, inadequate profit margins and unsatisfactory returns on investment.

Mr Maucher sees the EU's basic weakness as the failure of its institutions to keep pace with the liberalisation which has transformed the global economy over the past 10 years. Today, European companies can move capital and technology at will in a world with tremendous differences in labour costs. The short-term impact on a country's competitiveness and employment can be dramatic.

"I don't agree with Jimmy Goldsmith, but some of his analysis is not bad," he says. "Mr Maucher praises efforts to reduce public deficits in the common drive to monetary union. Notably, in France, Italy and Spain. But he has no enthusiasm for the new 'jobs chapter' proposed for the Union by Sweden."

Instead, more must be done to roll back the frontiers of the public sector and trim taxes. And pan-European energy, telecommunications and transport networks are needed to replace high-cost national systems.

His biggest gripe is over regulation – which has, for example, driven genetic engineering out of Europe. The Germans, he says, are the champion meddlers. He has little patience with his countrymen's latest angst over mad cow disease, scoffing at the way in which "a one-in-a-billion risk" leads to the slaughter of hundreds of thousands of cattle.

Mr Maucher supports the EU's slow process of transferring sovereignty from nation states to collective decision-making institutions in Brussels. He believes the

Union, through the European Commission, should have a strong voice on all aspects of external economic relations, including trade in services, investment and the protection of intellectual property.

Though a late convert to economic and monetary union, Mr Maucher sees the single currency as essential to deepening integration. The future independent European central bank will have exclusive responsibility for monetary policy, leading to "fiscal harmonisation" among members of the zone.

He believes it makes no sense, on practical or political grounds, to transfer education and health policy to Brussels. And powers in foreign policy and defence will continue to be shared between the EU and national parliaments.

But Mr Maucher believes the next step for the Union is to define a "core" set of common activities to which all members – including the semi-detached British – must subscribe. These should be: the free flow of goods, people, capital and services; a common foreign and defence policy; streamlined decision-making with more majority voting; and a common immigration policy.

Re-admiring the Thatcher UK economy with its flexible labour market, he is no fan of the EU Social Chapter, which seeks to establish minimum standards in social and labour policy. But like a growing number of Europeans, Mr Maucher has become impatient with the British who he suggests want the benefits of membership without the obligations. The EU will have to be "brutal" – a favourite Maucher expression – with those who refuse to sign up.

Without closer European integration, he believes the continent's companies will be doomed to play second fiddle in world markets. Mr Maucher's biggest fear is being unable to negotiate on equal terms with the Americans on matters of mutual economic interest, such as accounting standards or tax where the failure can be measured in tens of millions of dollars.

FINANCIAL TIMES

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Tuesday October 29 1996

Heart of darkness

The crisis in eastern Zaire has all the ingredients of a catastrophe that could engulf central Africa: bitter ethnic rivalries, colonialist imposed national frontiers under strain, fragile governments, hundreds of thousands of refugees on the move.

Most worrying of all, President Mobutu Sese Seko, Zaire's autocratic leader and the region's dominant figure, remains abroad, his ill-health leaving a power vacuum in the heart of the continent.

For the last two years Zaire has helped destabilise its eastern neighbours, Rwanda and Burundi, by providing a haven to Hutu guerrillas fighting the Tutsi-dominated armies of both countries. Now the regimes in Kigali and Bujumbura have returned the compliment, encouraging a Tutsi rebellion inside Zaire in order to push the Hutu refugees further away from the frontier. This could be the trigger which starts the disintegration of Zaire itself, with the risk of insurrection and secessionist movements spilling over into its southern neighbours, Zambia and Angola.

Anarchy could have been averted if, two years ago, the international community had taken firm action to sort the genuine refugees from the extremists, close certain camps, and give those truly afraid of returning to Rwanda the chance to move further into Zaire. This summer's surprisingly successful return of 80,000 Rwandan refugees pushed out of Burundi by the new Tutsi military regime there showed that fears of mass arrests were unfounded. The refugees could yet be reabsorbed among their fellow Hutus, who remain the majority of the population.

But only half-hearted attempts were made, and when the last August Zaire tried to take more forceful action the world cried foul. The attempt, which appeared to be breaking the back of the intimidation in the camps with remarkable success, was abandoned.

Rwanda cannot turn its back on genocide and civilise its institutions so long as infiltrators from Zaire are destroying its infrastructure and killing witnesses to the genocide, as well as Hutu "collaborators". As it is, the escalating attacks on its border are further polarising Rwandan society, encouraging a Tutsi-dominated army to treat the Hutu majority with suspicion and increasing brutality. Every day makes return more problematical.

By keeping the camps in being the UN has nurtured a guerrilla movement whose genocidal tendencies have already been established. It has also allowed the poison of the Hutu-Tutsi war to spread into Zaire, raising the likelihood of a regional ethnic war. From now on the region must be tackled not primarily as a humanitarian crisis, requiring massive but ultimately ineffective injections of aid, but as a political one.

With so much at stake, the international community cannot help being involved. It should bring together the leaders of all three countries and press them with the strongest arguments at its disposal to abandon the traditional practice of supporting their neighbours' insurgency movements. And the refugees, who have been little more than pawns in the hands of the regional powers, must be induced to return home.

No contest

The race for the post of chief executive in Hong Kong is under way in earnest. When nominations closed yesterday more than 30 people had put forward their names to govern the territory after its reversion to China next July. Four, two businessmen and two former members of the judiciary, are seen as serious candidates.

The process is one of selection rather than election. The successful candidate will be chosen by a 400-strong body whose membership is determined by Beijing. China will then formally make the appointment. For that reason Mrs Anson Chan, Hong Kong's chief secretary, has been obliged to rule herself out. Mrs Chan, a much admired leader of Hong Kong's autonomy, would be the people's choice. But Beijing is wary of her close links with Mr Chris Patten's administration.

Instead the frontrunner is the shipping magnate Mr Tung Chee-hwa. His opponents are Sir Ti Liang-yang, the former chief justice, Mr Simon Li, a former appeals court judge, and Mr Peter Woo, the businessman son-in-law of the late Y K Pao. There are strong suspicions in the territory, though, that Beijing is more interested in the form than the substance of a

contest. Each of these contenders has pledged to uphold the one country-two systems formula which is designed to safeguard Hong Kong's freedom and prosperity after 1997. To that end, they would like Mrs Chan to remain as chief secretary. But, with more than half an eye on their new political master, the candidates have also stressed the need for conciliation rather than confrontation in relations with Beijing.

On one level that seems common sense. It betrays, though, a worrying ambiguity about the task of the chief executive. As Mrs Chan has remarked, upholding Hong Kong's autonomy and preserving the freedoms and rights enshrined in the Joint Declaration and the Basic Law will require courage and strong leadership.

China's questioning of the scope for freedom of expression after 1997 and its planned appointment of a new provisional legislature have already put in question the autonomy on which Hong Kong's international reputation depends. The damage can be undone only if the new chief executive acts first and foremost to represent Hong Kong in Beijing rather than vice-versa.

Knives out

The leaders of the UK Conservative and Labour parties really ought to find some other subject to bicker about than the banning of combat knives. There is little disagreement between them although the issue, like the possession of hand guns, raises strong emotions, and some questions of civil liberty.

For this reason it should be considered calmly by politicians outside party divisions, rather than in an unseemly competition for media applause. When Mr John Prescott, Labour's deputy leader, emerged last week from a central London shop brandishing a 25cm Bowie knife and held it up for the cameras, he was making a good point in the wrong way.

Fanning popular outrage on such subjects too often leads to bad law - a point which can be levelled equally against the Tories' attempt to manufacture a moral crusade out of prison sentencing policy.

It is easy to agree that some of the vicious weapons now available in UK shops can have no possible use for law-abiding citizens. However, it is less obvious that new laws are needed. Flick knives were banned in 1958 Under the Criminal Justice Act, 1938, 14 different kinds of

knife are banned and others may be added. The 1993 Carrying of Knives Act restricted their use. The Offensive Weapons Act of 1986 tightened the restrictions for children. The Criminal Justice and Public Order Act of 1994 gives the police powers to stop and search people for weapons.

The UK needs neither additional laws nor a "mother's campaign" orchestrated by Mr Prescott. It needs a prosaic attempt by lawyers and the police to find a robust definition of military style knives which distinguishes them from those for legitimate use.

This has proved difficult: knives of many kinds are needed, not just in the kitchen, but for sport, trades and country use. For many law-abiding people, including boy scouts, a knife has been a traditional symbol of manhood.

No reasonable law can prevent thugs and criminals from buying a lethal blade. The issue is rather the glorification of violence and death, which some weapons represent. So if the words can be found to restrict the sale of knives designed to kill people, it should be done without further posturing and with no new legislation.

All change on UK railways

Privatisation has produced significant improvements in services but public scepticism persists, writes Charles Batchelor

Rail privatisation in the UK is well under way. Around Britain, new operating companies are cutting journey times to far-flung parts of the country and offering bargain fares between big cities. On London commuter lines, the French-owned Connex South Central company has introduced an off-peak service every 10 minutes so that passengers can travel when they want and "throw away their timetables".

The aim is to make profits by luring travellers back to rail: the growth of car travel has pushed rail's share of the passenger market down to 5 per cent today from 19 per cent in the mid-1980s.

Already 13 of the 25 passenger operating franchises have been sold. Other parts of the business, including most freight operations and all the track and rolling stock maintenance businesses, are also in private hands. Railtrack, owner of railway track and signalling, was floated on the London Stock Exchange in May.

The UK's railways must now demonstrate that opponents of privatisation are wrong, that the pain and the cost of fragmenting the state-owned British Rail into more than 80 separate companies have been worthwhile.

Similar battles were fought over previous privatisations. Few people would deny that UK telecoms companies and British Airways are much better than their state-owned predecessors. But more recent privatisations such as water and electricity have yet to prove themselves.

In spite of British Rail's poor record of service and investment, "selling" rail privatisation to the travelling public will not be easy. "The fragmentation confuses passengers and drives them away," says Mr Jonathan Bray, co-ordinator of the Save Our Railways group, one of the most vigorous opponents of privatisation.

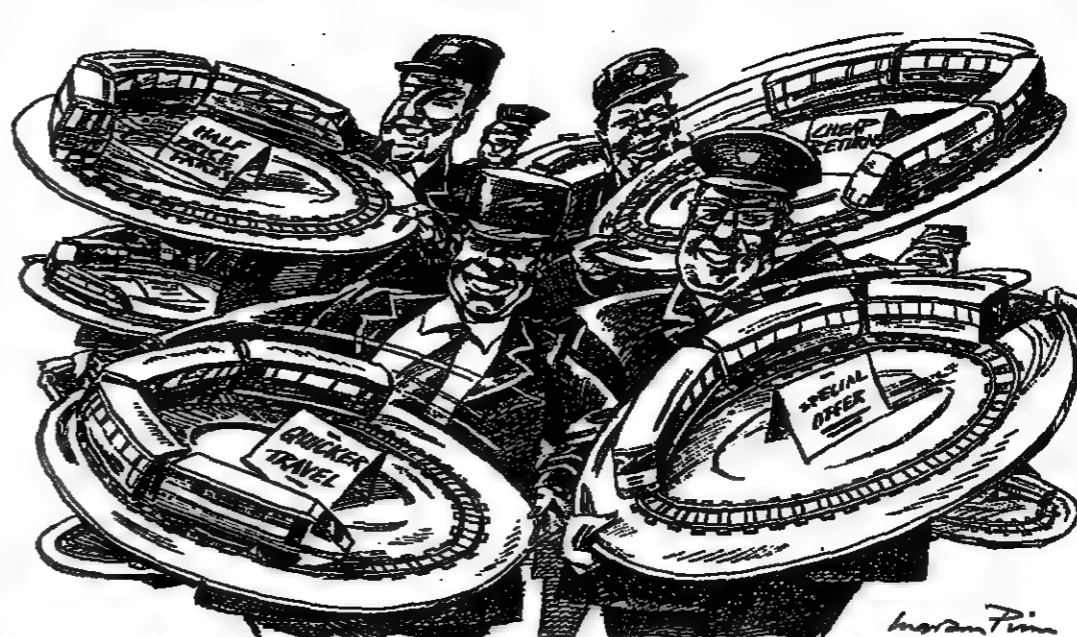
The privatised operators - most of them owned by UK bus companies - insist that they are making the changes that their customers want and that BR never managed to introduce. Faster journeys and better service are essential to the strategy. Great Western, which runs fast trains to the west country and south Wales from London, plans to run as many trains in winter as in the busy summer season. Track improvements have already cut up to 20 minutes off journey times and the company is pressing Railtrack to upgrade further sections of track.

New or refurbished trains are to be introduced on many lines under the contracts negotiated between the companies and the franchising director, Mr Roger Salmon.

Salmon. And various companies are considering introducing tilting trains which would reduce journey times without the need for expensive track improvements.

Great Western has begun to refurbish its 20-year-old trains. "We had our first train ready in eight months. It would have taken us two to three years under BR by the time the proposal had gone through committees," says Mr Brian Scott, managing director.

Gatwick Express, which links London to Gatwick airport, is increasing the number of on-board staff serving drinks and snacks and plans to introduce an airport check-in service on its trains for business class air travellers. Trains will run through



Passenger companies

Franchise	New Owner	Ticket Revenue £m	Route Miles	Employees
Great Western	Stagecoach	227	856	2,900
South West Trains	Stagecoach	280	450	4,000
Stratford & Essex	Sea Containers	200	950	2,800
Gatwick Express	National Express	271	27	310
Midland Main Line	National Express	262	173	1,100
West Coast Main Line	Connex Rail	157	373	3,085
London, Tilbury & South Essex	First Rail	45	84	770
Chiltern	Management/John Laing	221	109	380
South Eastern	Connex Rail	233	442	3,900
Cardiff Railway	Prian Rail	8.2	98	315
South Wales & West	Prian Rail	14.5	1,099	1,400
Thames Valley	Go-Ahead/Management	48.6	250	1,000
Island Line	Stagecoach	0.75	83	44

Freight companies: Revenue £m Employees
Trainload Freight: Wincor Central Transportation 512 7,500
Rail Express Systems: Wincor Central Transportation 671 750
Freightliner: Management 88 1,080

* As March 1996. † Year to March 1996. ** Undergoing Monopoly and Mergers Commission investigation.

the night to serve airline passengers and airport staff. Fares, which for many years have risen at a faster rate than inflation, are also being used to win customers. BR's response to falling passenger numbers was to raise fares. This helped maintain ticket revenues for short periods but soon drove passengers away.

West Coast InterCity and its east coast counterpart, for example, are using price to take on the airlines. The companies offer a £29 (£46) Scotland-London return, 25 lower than the previous cheapest return and priced to compete with the £29 single fare on offer from EasyJet, a cut-price airline that flies to and from Luton near London.

Improvements are being pushed through in the freight sector too. English Welsh & Scottish Railway, the US-owned heavy freight company, took just three days to arrange to ship 4,000 tonnes of piping from a Leicestershire company to Plymouth - a speed of response impossible under BR. It also regained a customer who had last used rail 20 years before.

These long-awaited improvements have become possible because, behind the scenes, the privatised operators are implementing changes which BR found too difficult to handle as a state-owned company.

Using skills learned in their own industry, the bus companies are negotiating new wage deals with their employees. They are reducing their workforces while paying more to the people they

understand of how to price risk and we can price our bids accordingly," says Mr Trevor Smallwood, a veteran of the buy-out of the Bristol-based Badgerline bus company, now part of FirstBus where Mr Smallwood is chairman. "We have the experience of the privatisation of our own industry."

The arrival of the bus companies on the rail market has brought some robust, not to say buccannering, individuals into the railway industry.

Mr Brian Souter, co-founder and chairman of Stagecoach, has built Britain's largest bus group with a policy of aggressive expansion. "We believe we can translate to rail the techniques we applied in the bus industry to cut overheads, improve productivity and make the business more customer-oriented," says Mr Souter. "But we also need to introduce a can-do mentality on the revenue side."

With 12 passenger franchises remaining to be sold, unsuccessful

continue to employ. Drivers, for example, have had big wage rises, but restrictive work practices are being rooted out and overall wages bills have fallen. Great Western can now run its express trains at speeds above 180km/h without the need for a second driver in the cab. Freightliner can run its container trains from Southampton to Leeds with just one driver instead of a crew of four.

If this all works, it could eventually be good for UK taxpayers too. The immediate effect of privatisation was to increase the annual level of subsidy by £700m to more than £2bn, but over the life of the passenger franchises, subsidies are set to decline; in some cases franchisees will have to pay a fee for the right to run services.

Investors have already done well by privatisation. The shares of Prism Rail, the owner of three franchises, have quadrupled in value since its listing on London's junior Alternative Investment Market in May. Railtrack, whose flotation was structured to give generous early incentives to investors, has gone from a partly paid issue price of £2 to around £3.

"It was an enormous challenge to create a structure that makes commercial sense and will deliver good businesses to potential buyers," says Mr Salmon. "I think we have done that and we have done it at the top end of expectations."

The many critics of rail privatisation, however, remain unconvinced that the new structure is an improvement. They dismiss the new train liveries, spruced up staff uniforms and corporate logos of the private operators as cosmetic changes.

"The train operators are bringing in new ideas when it affects what happens on their own turf," says Mr Stephen Joseph, director of Transport 2000, a public transport lobby group critical of privatisation. "But we are concerned about services which are not operator specific or which don't give a quick payback - like the national marketing of rail tickets or putting staff on stations."

"Privatisation has happened at a time when the economy is improving and when the weather has been kind. I will believe in it when I see it working in the depths of winter in a recession."

The new owners of Britain's rail network are making improvements that eluded BR managers. The cumulative effect could be a much better, more flexible railway. But public perceptions will be slow to change and it will be a long haul before the average passenger is convinced.

Predatory bus companies board the trains

Rail privatisation came at the right time for Britain's bus managers. Ten years after the deregulation of their industry, they used the experience gained in buying their own businesses to seize a large share of the rail market.

Bus companies have bought nine of the 13 rail franchises sold so far. Most British Rail managers, initially regarded as the only people qualified or willing to bid, have been swept aside; they were not helped by the fact

that the managers who won control of the London Tilbury & Southend franchise, one of the first to be sold, were later disqualified after the discovery of ticketing irregularities.

Despite the government's attempts to create a railway structure in which operations do not require large amounts of capital - trains are leased and track is rented - the bus companies' deeper pockets have allowed them to prevail over their rivals. "We have a good

understanding of how to price risk and we can price our bids accordingly," says Mr Trevor Smallwood, a veteran of the buy-out of the Bristol-based Badgerline bus company, now part of FirstBus where Mr Smallwood is chairman. "We have the experience of the privatisation of our own industry."

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With 12 passenger franchises remaining to be sold, unsuccessful

ful bidders such as GB Rail, a group of rail managers and consultants, and Mr Richard Branson's Virgin group are desperate to gain a foothold in the industry. But the bus companies which have already been successful are keen to broaden their rail portfolios so as to spread their head office costs more widely. Aspiring train operators and those which have already won a place on the footplate can be expected to fight hard for the franchises still to be sold.

OBSERVER

Cuccia's discretion

The secretive habits of Enrico Cuccia, the veteran head of Mediobanca, Italy's most influential merchant bank, are of course legendary.

But even he has surprised the business and political establishment by the veil of discretion he had managed to draw around the recent death of his wife, who went by the remarkable name of Idea Nuova Socialista.

Although she actually died on October 12, news of the event has only recently leaked out - by chance.

The lack of the customary formal announcement or funeral notice has caused considerable confusion among those, including the government, who felt the need to offer their condolences to the 66-year-old banker who has played such a powerful role behind-the-scenes in post-war Italy.

His wife came from an illustrious stable. Her father, Alberto Beneduce founded of IRI, the state holding company, during the 1930s. He managed to retain his anti-fascist credentials while enjoying the confidence of Benito Mussolini.

He named his two other daughters Vittoria Proletaria and Italia Libera.

She met Cuccia while he was on secondment from the Bank of Italy to IRI, and they married in 1958.

In a gossip-ridden society, they insisted - successfully - on strict privacy.

The rule appears to have extended to her death, leading some observers to wonder what will happen when Cuccia himself eventually succumbs.

Long goodbye

No secrecy, however, when the sun set unexpectedly yesterday on a French institution. Madame Germaine Soleil, the astrologer, has died at the age of 86.

Her name entered into the language when President Georges Pompidou once eluded a journalist's question with the retort that he was not Madame Soleil.

Soleil - seemingly her real name - felicitously combined the very French characteristics of a superstitious nature and an ability to adapt to technological progress.

She exchanged her crystal ball for a microphone in 1970, when she launched a quarter of a century of regular radio broadcasts. Then, since "retiring" at the age of 80, she had been offering electronic advice through the Minitel phone information

service. Presumably she would have launched a page on the Internet had she not been rudely surprised by the Grim Reaper.

Cheque it out

Deutsche Morgan Grenfell's ability to inflate the salaries of investment bankers around the globe cannot endure indefinitely. But those who have failed to clamber aboard the current carousel need not necessarily despair.

Just suppose the talks between Bankgesellschaft Berlin and Norddeutsche Landesbank really do bear fruit, and the pair hook up to knock Dresdner Bank off its perch to form Germany's second largest bank.

These may be big regional players, but, to put it mildly, they do rather lack international clout.

Endless scope, then, for an even bigger and better round of outside-the-box signings - with the added allure of a head office in party town Berlin rather than sombre Frankfurt. Can't be bad - except for those who are trying to run, rather than raid, banks.

Rifkind's fans

However heavily the affairs of state weigh on the shoulders of

UK foreign secretary Malcolm Rifkind just now, the Brits in Hanoi don't give a fig.

The British Business Group, which has arranged a lunch in his honour as he swings through on an official visit next Saturday, intends to change that. Because at the moment a mere five souls have signed up for the event.

It is most probably nothing personal. Weekends are pretty sacred for many executives in Vietnam, the country that was identified earlier this year by a Hong Kong consultancy as Asia's most stressful expat posting.

But no doubt the business group honchos would prefer not to have to explain that to the foreign secretary's face when he comes visiting.

Beat that

Anyone who walks the streets of Paris becomes insured to sexist advertising.

But the full-page spread for Siemens mobile phones in yesterday's Le Monde newspaper was a little extreme even by local high standards.

The apparent aim of the ad was to publicise how long the gadget would work without needing to be recharged.

The slogan? "Bad news. Your wife can stay on the phone for 10 hours."

Financial Times

100 years ago

Newfoundland Prospects Any possibility of improving the financial prospects of Newfoundland will be gladly hailed by the rest of the Empire. The recent discoveries of gold in the island were, therefore, a special cause of satisfaction, especially when the financial and trade benefits that have accrued to West Australia from the gold fields were borne in mind. The mining expert sent from England has concluded his examination of the gold-bearing quartz vein at Cape Boyle. So far, he states, the result is satisfactory, and the whole district being mineralised, it is well worthy of exploration.

50 years ago

Wall Street Sags Wall Street stocks yesterday registered their sixth successive decline, with losses ranging to \$3 over a broad front. At the close, declines outnumbered advances by six to one, and the markets finished heavy. The depression was attributed to the break in cotton and reports that steel workers will ask for higher wages next year. Turnover was 930,000 shares, comprising 973 issues, of which 700 fell.



Bhutto resigns finance role after IMF pressure

By Farhan Bokhari
in Islamabad

Ms Benazir Bhutto, prime minister of Pakistan, yesterday gave up the finance portfolio, which she has held since she came to power three years ago.

The appointment of a new finance minister is seen as a move to please the International Monetary Fund, which has held back the release of a \$600m (£375m) standby loan pending firm government action. Ms Bhutto has faced growing criticism for her handling of the economy.

Also in response to IMF pressure, the government last week unveiled an emergency budget, involving austerity and tax measures to raise an extra Rs40bn (£222m) to reduce the budget deficit. In spite of the new taxes, the IMF expects the budget deficit to remain higher than the target of 4 per cent of gross domestic product.

The appointment of Mr Naveed Qamar, privatisation

minister, as finance minister disappointed analysts who had hoped for a more technocratic candidate.

It is not clear whether Mr Qamar's appointment would immediately improve prospects for an early deal with the IMF on resumption of disbursements from a \$600m standby loan. An IMF mission is in Islamabad this week for talks with officials on the loan, suspended in June after the government's annual budget had failed to meet IMF expectations.

"The government would need to demonstrate that it can keep harsh measures on track despite public protests. The appointment of a new minister alone can be meaningless," said a western economist. Pakistani officials sent for talks with the IMF and the World Bank in Washington were also accused by western economists of "fudging numbers".

Mr Qamar's promotion

comes as the government's popularity continues to fall. Hours before his appointment was announced, police in Islamabad and the neighbouring city of Rawalpindi fought Islamic activists whose protests have disrupted the cities over the past two days.

Mr Mudassar Malik, director at Karachi's BMA brokerage, said: "Some kind of a revamping of the finance ministry was needed. Mr Qamar has been appointed so that the IMF can have a greater degree of trust in our economic targets."

Analysts said the absence of an independent finance minister meant vital decisions were not made for several days.

"The absence of an independent finance minister had created a vacuum," said one economist yesterday. Mr Sartaj Aziz, former finance minister and an opposition leader, said: "This has happened too late when things are so bad. I don't know if he can retrieve the situation."

New health fears as Yeltsin suspends meetings

By Chrystie Freston
in Moscow

Russian President Boris Yeltsin yesterday cancelled all this week's planned meetings to undergo medical tests, renewing speculation about his condition.

Doctors and political analysts said the sudden announcement probably signalled either a sharp deterioration in the Russian leader's condition or a decision to perform heart bypass surgery earlier than planned.

Officially, the Kremlin said the president's work schedule had been cleared to allow doctors to do the tests needed in the "final stage" of Mr Yeltsin's preparation for surgery. "Planned preparations for heart surgery have entered the final stage and the president will undergo a whole series of medical tests under a special regime in the next few days," Mr Sergei Yastrzhembsky, the Kremlin press secretary said.

Mr Yastrzhembsky said no date for the operation, tentatively expected in the second half of November, had been set. "There are no grounds to expect the operation will take place this week," he said.

Dr Mikhail Alshyba, a Moscow cardiologist, said the announcement could mean only one of three things: "First, it could mean that his condition has seriously deteriorated. Secondly, it could mean they are going to perform another coronary angiography (a two-day investigation of heart activity), because that is the only test which would require the meetings to be cancelled. Or, thirdly, it could mean that they will now conduct the operation, but will not tell anyone about it."

Mr Sergei Markov, a political scientist at Moscow State University, said the most likely reason for the isolation of the president was a serious decline in his condition.

On the Russian markets, the news was overshadowed by reports that more government bonds had been suspended. Several investors said \$56.8m worth of bonds had been frozen either yesterday or Friday, following the suspension of \$100m of bonds earlier this year.

The reports pushed the fifth tranche of the dollar-denominated bonds down to 38.25 cents on the dollar, from an opening price of 39.25 cents.

Investors said they had received no official confirmation of the suspension, but a Moscow banker said he learned of the move in a statement yesterday from Vneshtorgbank, the custodian.

Corporate tax debtors, Page 2

THE LEX COLUMN

Germany gears up

Corporate Germany has been lobbying for the legalisation of share buy-backs for years. But yesterday's Justice Ministry promise to change the rules by early 1998 is the government's first public acknowledgement that it is listening.

The change would be good news for investors. According to J.P. Morgan, 52 European companies - mainly British - have announced buy-backs of \$50m or more since 1990; on average, their shares have outperformed their respective markets by 15 per cent in the subsequent five months. Buy-backs do not make sense for every company. But those with strong cash generation, few acquisition opportunities and low organic growth need to think about them. Companies whose cost of equity is higher than their cost of debt should even consider borrowing to retire expensive equity.

Several German groups fit the bill. Utilities such as EWE and Veba are good cash generators and have high costs of equity. Financial groups such as Deutsche Bank and Allianz are cash-rich and claim to be committed to shareholder value. That is also true of the big chemical groups - indeed, Mr Helmut Loehr, Bayer's finance director, has been spearheading the campaign to get buy-backs legalised.

The German plan is not perfect. Repurchases will be restricted to 10 per cent of capital and their tax treatment remains unclear. But the mere fact that Germany is promising to liberalise its rules is positive and will put pressure on the rest of Europe to follow suit.

German banking

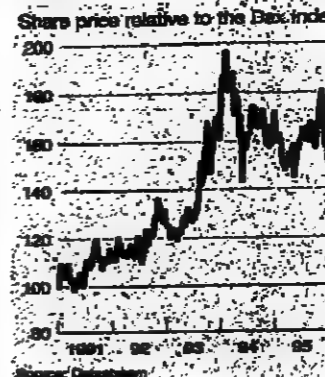
Germany is hugely overbanked. On the surface, therefore, the idea of merging two inefficient regional banks into a bigger, leaner power-house, able to punch its weight in Europe, makes a lot of sense. Were Bankgesellschaft Berlin (BBG) to marry Norddeutsche Landesbank (NOLB) - as yet the two are too shy to admit to anything but holding hands - it would create the country's second-largest bank, with total assets of more than DM500bn.

But bigger does not mean better in this case. There is no geographical overlap: the two have already combined their mortgage subsidiaries and their project finance teams; and they already use the same computer systems. A merger would thus produce practically no cost savings. Nor does the private

FTSE Eurotrack 200:

1831.3 (+7.2)

Share price relative to the Dax index



Source: Datastream

BBG have much to teach public-owned NOLB. As its share price testifies, BBG is suffering from high bad debts and rising costs - partly the aftermaths of its own creation from three separate Berlin-based banks several years ago. BBG's return on equity was 5.6 per cent in 1995 and this year it will be lower. The only thing a merger would increase are the enlarged bank's international ambitions. Each potential partner has ambitions to build up its investment banking presence in London.

The real proposition of this merger appears to be the state of Lower Saxony, which has 37 per cent of NOLB and wants to extract cash to ameliorate its own budgetary problems. As these two banks hummer towards an embrace, outside investors should get out of the way.

Alliance & Leicester

Doubtless Alliance & Leicester borrowers and savers are rubbing their hands with glee at the prospect of a £1,000 (£1,600) windfall when the building society becomes a bank. But in truth, they are getting less than they should. To see why, compare A&L's plans with those announced by Halifax last week. Ingeniously, Halifax is converting by transferring its business into an existing subsidiary. This will avoid having to tie up capital unnecessarily in a so-called "priority liquidation distribution right" (PLDR), a rather eccentric legislative requirement. It will also avoid the five-year takeover protection most converting societies enjoy.

A&L should be following Halifax's lead. Already the building society with the highest total sol-

vency ratio in the sector, A&L's choice of conversion route puts it in the ridiculous situation of having raised even more capital - £200m subordinated debt - purely to fund the only reason for going through this unnecessary process is to avoid losing takeover protection. That may be good news for the management, but for members it is the opposite. Not only would allowing bids be good for the share price, ditching the PLDR scheme would also make available surplus capital of something like £400m - £170m more a head - which could be handed back to members. At the very least, they should be offered the choice.

Northern Electric

At first glance, CalEnergy's assault on Northern Electric looks less silly than many previous US bids in Britain's power sector. Whereas other US bidders have often appeared solely driven by the mistaken belief that the targets were cheap, CalEnergy is at least able to articulate a strategic case as a generator it wants expertise in distribution where it has ambitions elsewhere in the world. Moreover, as a multiple of cashflow, its offer is below the average take-out price in the sector.

Yet these comforting thoughts are deceptive. For a start, however much CalEnergy wants expertise, £65m is a lot to pay for it; hiring a few individuals would surely be a better solution. And, sadly, a below-average multiple looks appropriate given Northern's over-exposure in the supply business where margins face serious threat. Attempts to value Northern on fundamentals often have difficulty stretching much above £520m or so.

It follows that Northern will not find this bid easy to fight. Its locker, though probably not completely bare, was badly depleted by the Trafalgar House battle. And although a white knight bid from another British power company could make plenty of sense, getting government approval after Friday's decision on wider mergers would be tricky. In short, it is hard to see any competing tender that CalEnergy should need to raise its bid. With the shares trading at 100 above the CalEnergy offer price, shareholders should seriously consider selling in the market.

Lex columnist in Edinburgh, Paul

Argentine group loses out in Falklands oil bidding

By Robert Corzine in London
and David Pilling
in Buenos Aires

The Falkland Islands government yesterday awarded permits for oil exploration in waters claimed by Argentina but rejected two bids from a consortium including the only Argentine bidder.

The Falklands government, which granted exploration licences to five groupings to explore to the north of the islands, declared the licensing round "a staggering success".

A recent seismic survey has shown large geological structures similar to those found in prolific oil regions such as the North Sea.

However, a consortium led by British Gas with YPF, Argentina's largest oil concern as minority partner, emerged empty-handed from the round.

YPF's participation had been regarded as an important symbol of improving relations

between the UK and Argentina, which were involved in conflict over the Falklands in 1982. Britain and Argentina reached an understanding in September last year to permit oil exploration around the islands.

However, both governments sought yesterday to play down the rejection of the bid. "From what we understand, there has not been any type of discrimination against YPF on nationalistic grounds, but the bids were judged on purely commercial criteria," the foreign ministry in Buenos Aires said.

"YPF should be able to get involved in exploration through joining a consortium that has been awarded a block," it said. It was also understood that Shell Argentina would participate in exploration of the bloc awarded to Shell.

The British Gas-YPF group had bid for the two most

northerly and promising blocks, which were won by consortia led by Shell and Amerasia Hess. However, it apparently would have explored a smaller area and would have drilled fewer wells than its competitors.

British Gas said it was "naturally disappointed" at the outcome. The company said it could not exclude the possibility that it might try to join one of the winning consortia. YPF had no comment.

Mr Andrew Gurr, chief executive of the Falkland Islands government, said the government had "struggled" with the possibility of persuading British Gas and YPF to put in a more favourable bid. But that would not have been fair to others.

The winning companies are committed to spending \$200m in exploration over the next five years.

Licence awards, Page 5

SA groups

Continued from Page 1

opportunities for black economic empowerment. However, Mr Benningfield ruled out any prospect of Malbak companies being sold at a discount.

Malbak yesterday announced a 28 per cent increase in net income to R643m for the year ended August 31. Turnover was 14 per cent higher at R17.5bn.

The target date for completion of the unbundling is the end of March 1997.

Swiss banking inquiry

Continued from Page 1

subsequently; the banks' practices with respect to the retention and destruction of records including account opening, closing, transactional and other record keeping."

Moreover, they will examine the payment of interest to, and the collection of charges from, those dormant accounts. The memo hints that banks which failed in their legal or fiduciary duties, or which tried to hide evidence of dor-

mant accounts, could be subject to disciplinary action by the Swiss government. The banks will not be allowed to pass to the auditors information concerning the identity of depositors seized by Poland's post-war government.

The Swiss government and its banking industry have been stung by documents recently uncovered which suggest that the banks handed over only a fraction of the assets of largely Jewish depositors killed during the war.

Corporate tax debtors, Page 2

FT-WEATHER GUIDE

Europe today

Most of north-west Europe will be unsettled and windy. The North Sea is expected to have gale force winds. The Benelux and northern France will have showers. Southern Scandinavia, Germany, and the western Alps will have rain. Poland, the Czech Republic and western Russia will be cloudy with patchy rain. The UK will be calm and mainly dry with some sunny periods. Southern Portugal and Spain will be sunny. Eastern Europe will be cool. Greece and most of Turkey should have some sun.

Five-day forecast

The UK and north-western Europe will be cooler with changeable conditions and gusty winds. Italy, Spain and Portugal will be sunny. Eastern Europe will be cool with unsettled conditions in the north and some sunshine in the south-east.

LOW 1010, HIGH 1030, LOW 1010, LOW 1010

Warm front, Cold front, Wind speed in KPH

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	30	Beijing	16	Cardiff	10
Accra	30	Belfast	17	Casablanca	10
Algiers	25	Berlin	13	Chicago	13
Amsterdam	12	Bermuda	26	Cologne	12
Athens	17	Bogota	20	Dakar	31
Atlanta	26	Bombay	22	Dallas	23
B. Aires	24	Brussels	11	Delhi	31
B. ham	9	Budapest	13	Dubai	33
Bangkok	33	Cairo	22	Dublin	9
Bercelona	20	Cape Town	23	Dubrovnik	17
				Dunfermline	8

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Lufthansa

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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday October 29 1996

"Remind yourself daily that a cheerful disposition invites success."
KAZUO INAMORI, founder of Kyocera

IN BRIEF

France Télécom set to pay FF1bn

France Télécom looks set to pay out more than FF1bn (\$194m) in dividends to private investors in its first year as a publicly quoted company. Michel Bon, chairman, said the company's overall dividend payout after next year's planned partial privatisation was likely to be about 45 per cent of net profits. Page 19

Henkel bids \$1.1bn for Loctite control
Henkel, a German chemicals concern, revealed an unusual bid for control of a US corporation with the disclosure that it had offered DM1.7bn (\$1.1bn) for the 65 per cent of Loctite it does not already own. Page 20

Singapore Airlines down 11% halfway
Singapore Airlines announced disappointing first-half earnings, with operating profits down 11.4 per cent as it suffered from escalating fuel prices, the strong Singapore dollar and a soft cargo market. Page 21

UniChem makes cost cuts pledge
UniChem said it was confident of beating the "conservative" synergy savings of £20m a year should its £641m (\$1bn) bid for Lloyds Chemicals, the high street retailer, be successful. Page 24

TI faces Forsheds opposition
Disgruntled investors in Forsheds, the Swedish polymer engineering company, raised the stakes in their opposition to the proposed £189m (\$295m) takeover by the UK's TI Group by claiming that shareholders regarded the offer as inadequate. Page 24

German profitability 'highly variable'
The performances of some gilt-edged market-makers - the official dealers in UK government debt - strengthened in 1995, against the previous year, their latest profit-and-loss accounts show. The Germans posted heavy losses in 1994, and the latest figures show their profitability as highly variable. Results ranged from a pre-tax profit of £28.9m to a loss of £9.8m. Page 26

Life may take on olive oil futures
Olive oil futures are among new products being considered by the London International Financial Futures and Options Exchange for its newly acquired commodities section. Page 26

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FTSE 100 share index	25		

Chief price changes yesterday

FRANKFURT (DM)		Credit Nat	259.10	+ 17.50
Adidas	134.70	Deutsche Bank	176.00	+ 34
Bayer	58.00	Deutsche Post	143	+ 7
BMW	92	Deutsche Telekom	322.10	+ 3.40
Daimler-Benz	41.50	Deutsche Telekom	115.50	+ 3.20
Hoechst	35.00	Deutsche Telekom		
Merck	55.00	Deutsche Telekom		
NEW YORK (\$)		Deutsche Telekom		
Alcoa	21.14	Deutsche Telekom	432	+ 19
Amgen	57.94	Deutsche Telekom	3412	+ 42
Boeing	46	Deutsche Telekom	1910	+ 42
IBM	21.14	Deutsche Telekom	432	+ 19
Microsoft	10	Deutsche Telekom	3412	+ 42
Oracle	22.14	Deutsche Telekom	1910	+ 42
LONDON (£)		Deutsche Telekom		
Adidas	292	Deutsche Telekom	1.19	+ 0.15
Amgen	608.18	Deutsche Telekom	1.16	+ 0.15
Boeing	548	Deutsche Telekom	1.23	+ 0.15
IBM	267.94	Deutsche Telekom	5.43	+ 0.67
Microsoft	74	Deutsche Telekom		
Oracle	87	Deutsche Telekom		
TOKYO (¥)		Deutsche Telekom		
Adidas	17.35	Deutsche Telekom	3.675	+ 0.275
Amgen	9.50	Deutsche Telekom		
Boeing	24.45	Deutsche Telekom		
IBM	3.60	Deutsche Telekom		
Microsoft	8.25	Deutsche Telekom		
Oracle	37.96	Deutsche Telekom		
HONG KONG (\$)		Deutsche Telekom		
Adidas	154	Deutsche Telekom	22.00	+ 2.30
Amgen		Deutsche Telekom	22.00	+ 2.30
Boeing		Deutsche Telekom		
IBM		Deutsche Telekom		
Microsoft		Deutsche Telekom		
Oracle		Deutsche Telekom		

New York & Toronto prices at 12.30.

Philip Morris set for Tabaqueira victory

By Peter Wise in Lisbon

Lisbon poised to back \$215m bid for state group

Portugal's Socialist government is this week almost certain to approve an Es\$3.15bn (\$215.7m) bid led by Philip Morris, the US cigarette maker, for 65 per cent of Tabaqueira, the state-owned Portuguese tobacco company.

A government panel has ranked proposals from Philip Morris and its Portuguese partner, the Jorge de Mello group, ahead of competing bids by Seita, the French tobacco company, and a consortium led by Tabacalera, the Spanish group.

Tabacalera, allied with Empresa Madeirense de Tabacos, a Portuguese company, was ranked last, even though it bid 10 per cent more than Philip Morris for the 6.5m shares on offer. It bid Es\$600 a share against Es\$500 by Philip Morris. Seita, at Es\$480 a share, was ranked second.

The government is widely expected to follow the recommendation and sell the Tabaqueira holding to Philip Morris. It is due to announce its decision after a cabinet meeting tomorrow or Thursday.

Analysts yesterday said the decision was based largely on a Philip Morris proposal to invest Es\$7.7bn and thereby almost double Tabaqueira's production over the next five years from 11bn cigarettes a year to 21bn.

Philip Morris says it will immediately transfer production of 4bn cigarettes a year to Tabaqueira from plants in the Netherlands and Germany, and by 2001 plans to increase production by a further 6bn a year through investment in new capacity.

There are currently about 16bn cigarettes sold annually in Portugal. Philip Morris believes it can increase Tabaqueira's domestic sales from 11bn to 15bn cigarettes a year, and export a further 6bn.

Tabaqueira's proposal was to invest Es\$4.3bn without substantially increasing the level of production.

Seita planned to reduce production to 9.5bn cigarettes a year. Philip Morris also proposes to sell Tabaqueira's controlling stake in Portugal's leading tobacco distribution company and its holdings in big tobacco wholesalers, the group said yesterday.

The aim is to liberalise Portugal's tobacco market, where competitors have accused Tabaqueira of unfairly dominating distribution to its advantage.

Tabaqueira also owns 49 per cent of Nutrinveste, one of Portugal's leading producers of cooking oil, fruit juice, pasta and other foods, while the Jorge de Mello group, partner in the Philip Morris bid, holds the other 51 per cent.

If the government approves the Philip Morris bid, the group plans to invest Es\$8bn in Nutrinveste, which has an annual turnover of Es\$55bn. This compares with annual sales of Es\$31bn for Tabaqueira, which does not include the high level of tax levied on tobacco in Portugal.

Citibank plans ATM link-up with Japan post office

By William Dawkins in Tokyo

Japan's posts and telecommunications ministry has agreed in principle to allow Citibank of the US to link up with nearly 23,000 automated teller machines operated by post offices across Japan from early 1998.

The deal would give Citibank in Japan the largest domestic ATM network in the world, with access to 85,000 machines, the bank said. Citibank, which in the 1980s became the first bank in Japan to open 24-hour ATMs, has 73 ATMs of its own there, plus access to the 82,000 owned by Japanese banks.

The link would allow Citibank customers to deposit and withdraw funds and check account balances at post office ATMs, and allow post office savers to do the same at Citibank terminals.

It would be the first alliance between the Japanese post office and a private-sector bank and the latest example of a new openness towards some deregulation by Japan's former conservative bureaucracy. Mr Michael Knapp, Citibank's Japanese consumer business manager, said the ministry had welcomed the bank's approach.

The accord, however, could meet resistance from the powerful finance ministry, aware of Japanese banks' sensitivity to competition in the domestic market. An official at the ministry's postal savings bureau yesterday said the ministry accepted the accord because it would allow the post office to offer access to its savings accounts through Citibank's foreign operations. The Japanese post office is the largest savings bank in the world, with deposits of ¥220,100bn (\$49.5m) at the end of August.

The agreement awaits funding from next year's state budget, in which the posts ministry has asked for ¥1.8bn to pay for a link-up with the private sector. Japanese stockbrokers are negotiating a similar link-up alongside Citibank, which would allow post office customers to buy and sell shares, said ministry officials.

The posts ministry had approached Japanese banks for an ATM link, but had failed to get an agreement, possibly a reflection of Japanese banks' long-standing complaints against unfair competition from the postal savings system. It offers higher rates on deposits - currently 1.1 per cent - than the private sector, due to a combination of government subsidy and regulation. Private-sector banks argue that they should have equal access with the post office to Japan's vast pool of savers.

In a separate move, Citibank yesterday announced that it would reimburse customers for fees incurred on a limited number of ATM transactions made via other Japanese banks' terminals. It is the first offer of its kind in Japanese retail banking.

The agreement with the postal savings bureau is the second instance in the past two weeks of the bureaucracy's new willingness to allow a measure of deregulation in hitherto tightly controlled markets. It follows the transport ministry's announcement that it would welcome applications for domestic air route licences from a discount travel agency planning to found the first new airline in more than 40 years.



Meeting investors: Deutsche Telekom chairman Ron Sommer in London yesterday

Telekom plans to cut debt to DM65bn in three years

By Nicholas Denton in London

Mr Ron Sommer, chairman of Deutsche Telekom, yesterday told international investors that the company's priority would be the reduction of its debt to DM65bn (\$43bn) by 2000, even if that meant forgoing some opportunities for international expansion.

At the roadshow for Europe's largest privatisation moved to the City of London, Mr Sommer said Deutsche Telekom, with its Global One alliance with France Telecom and Sprint in place, was under no pressure to make acquisitions.

"When it comes to international investment, our blood pressure is very low," Mr Sommer said in an interview before meeting UK investors. "We will only do it if it makes financial and strategic sense, and creates value for our shareholders."

Mr Sommer issued a light reprimand to Deutsche Bank,

one of three global co-ordinators of the DM12.5bn-DM15bn privatisation issue, after the German bank issued derivatives based on the securities without obtaining approval from Deutsche Telekom.

Deutsche Telekom said the warrants - which carried the right but not the obligation to buy Telekom shares when they are issued - had been withdrawn. "It is a very complicated IPO and we understand that it is sometimes complicated for the banks," said Mr Sommer.

Deutsche Telekom, which had individual meetings yesterday with UK institutions including Mercury Asset Management and Gartmore, is attempting to convince potential shareholders that it will no longer seek expansion and technological development for their own sake.

Advisers to Deutsche Telekom said the management's expansionist inclination had moderated in the four months

leading up to the roadshow, as it began to market itself to investors.

However, it is understood that Deutsche Telekom is still looking at possible acquisitions of telecommunications companies in emerging markets. It has not ruled out an acquisition in the fast-consolidating UK cable sector.

It is also watching closely the Italian and Spanish markets.

Air France may bid for domestic rival

By David Owen in Paris

Air France yesterday hinted that it might launch a bid for AOM, its domestic rival, as it seeks to stave off a challenge from British Airways ahead of next year's liberalisation of the French air transport market.

Mr Christian Blanc, Air France chairman, said in an interview with Le Provençal, a Marseilles newspaper, that the state-owned carrier would "certainly look into the question" of AOM, which has about 12 per cent of the domestic French market.

His comments come as British Airways appears on course to strengthen its position in France by winning control of Air Liberté, the troubled private carrier.

Success for BA's offer to inject FF\$30m (\$124.3m) into Air Liberté in partnership with Groupe Rivaud, a French banking group, would enable the UK carrier to run Air Liberté in tandem with TAT, its existing French airline, and would give it a 20 per cent share of the French domestic market. A decision on the BA/ Groupe Rivaud offer could come as soon as this week.

likely to flare between the two heavyweights if BA succeeds in strengthening its French foothold. Mr Blanc also yesterday's interview to criticise the UK company.

He said it was not "with joy" that the group is seeing British Airways arrive as the second operator in France, and warned that the situation could "cost French air transport very dear in the next few years". He urged readers to "note that British Airways has never bought a single Airbus".

In remarks coinciding with Air France's launch yesterday of a service between Paris and the southern French cities of Nice, Marseilles and Toulouse, Mr Blanc said AOM would face a "positioning problem between our group and the TAT-Air Liberté grouping".

But he appeared to acknowledge that European Commission conditions attached to a FF\$20bn aid package authorised in 1994 in effect ruled out an Air France bid for the company until next year.

His comments came less than a week after Nouvelles Frontières, a travel group which recently withdrew from bidding for Air Liberté, said it was interested in AOM.

CalEnergy bids \$1.2bn for UK power group

By Simon Holberton in London

Northern Electric, the UK electricity supplier, yesterday faced its second hostile bid in two years as CalEnergy, an independent US power producer, launched a \$765m (\$1.2bn) offer.

CalEnergy also scooped up 12.88m Northern shares, a stake of nearly 13 per cent, at its offer price of \$60p a share, in one of the most successful dawn raids yet on an electricity company. Analysts said this suggested Northern might have a tougher time fighting off this bid than by Trafalgar House, the UK property and construction company, in late 1994 and early 1995.

If successful, Northern would become the UK's fourth regional electricity company to fall into US hands - giving US groups nearly 30 per cent of the electricity market in England and Wales, measured in customer numbers. Northern's board said the offer was too low and told shareholders not to sell.

The offer values Northern's ordinary equity at \$261m. A separate offer for the company's preference shares at 103p would cost another \$115m. Northern's shares closed at 648p - 18p above the offer and well above Friday's close of 630p.

The two sides traded claim and counter claim following Northern's statement that CalEnergy had at the weekend talked of an offer at "around

700p" a share. CalEnergy denied it had ever talked about such an offer.

Northern successfully fought off Trafalgar House's hostile bid by adopting a "shareholder value" strategy which included special dividends and the issue of preference shares.

Some analysts said yesterday that CalEnergy's bid represented a fair valuation for Northern Electric and the success of the dawn raid underlined the willingness of UK institutions to quit the utilities sector when offered cash.

The sector faced an uncertain short-term future, with a capricious regulatory framework and the Labour party's promised windfall tax on privatised utilities seen to have made excessive profits.

These concerns, however, were not shared by CalEnergy, which is advised by CS First Boston. Mr David L. Sokol, CalEnergy chairman and chief executive, said it had taken a possible windfall tax into account in planning its bid.

Analysts thought it unlikely a "white knight" counter bidder would appear.

CalEnergy has total assets of \$3.5bn. In the year to September it had turnover of \$480.4m and profits of \$83.8m.

It owns, or has under construction, 3,000MW of power stations. Its US assets are in California, New York and Texas; abroad it has investments in the Philippines and Indonesia. Lex, Page 16

This announcement appears as a matter of record only SEPTEMBER 1996

£125 million Management Buy-In



Transaction led by
Electra Fleming Limited

£40 million equity arranged by
Electra Fleming Limited

£40 million mezzanine arranged and underwritten by
Intermediate Capital Group PLC

£45 million debt facilities arranged and underwritten by
Bank of Scotland



ELECTRA FLEMING LIMITED
65 Kingsway London WC2B 6QT
Telephone 0171 831 8454 Fax 0171 404 5388
Regulated by BMFO

LONDON PARIS MILAN NEW YORK HONG KONG

COMPANIES AND FINANCE: EUROPE

German banks move towards consolidation

Merger is not a word either Bankgesellschaft Berlin or Norddeutsche Landesbank like to hear in connection with their ongoing series of talks. Instead both refer to talks about developing concepts for closer co-operation.

But whatever the terminology, the fact is that the regular series of meetings between the two institutions which have been going on for the past two years are indicative of a trend towards concentration within the German banking sector.

"The fact is that Germany is over-banked. There are far too many institutions, some 3,600 in all. There will have to be mergers," says Ms Sabine Bohn, an analyst at Schröder Münchener Hengst in Frankfurt.

A prime motivation to merge is the need to reduce costs through economies of scale. "You need scale to invest in technology and to keep distribution costs down," explains Mr Neil Crowder, a German banking analyst at Goldman Sachs in London.

German banks - especially the regionally-rooted co-operative and savings banks but also those in the private sector - are considered inefficient. Dense branch networks with a large infrastructure have led to over-staffing. As distribution drifts away from branches towards direct banking via telephone, margins are increasingly under pressure.

Germany's banks have 48,700 branches. The popula-

tion per branch is just 1,633, against 3,230 in the UK, according to London-based brokers James Capel. The average cost-income ratio is 67.5, compared with 52.1 in the UK and 52.2 in Sweden.

There is also pressure from customers. Germany's medium-sized companies, known collectively as the Mittelstand, have changed their banking habits in recent years.

Whereas in the past a company typically had a local "Hausbank" which serviced all its needs, now companies are starting to shop around, not only within Germany but also abroad.

It is not just the wider availability of capital which is forcing banks towards consolidation. German companies are investing abroad more and in doing so require a different level of know-how from their banks. "This level of expertise is not available at every savings bank. But the customer demands it," says Ms Bohn.

Against this backdrop, a coming together of Bankgesellschaft Berlin and NordLB appears a neat fit. Geographically they would make a strong north German bank, particularly if NordLB's talks with the Hamburg senate, the city's government, allows it some form of involvement with the Hamburger Landesbank.

In some areas the two have already merged their operations. This summer the mortgage banks were brought together into the Berlin-Hannoversche Hypo-

Top 10 German banks

Tier one capital 1994



Bank	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	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COMPANIES AND FINANCE: EUROPE

Santander posts 13.2% advance

By Tom Burns in Madrid

Banco Santander, which is leading a drive by Spanish banks into Latin America, yesterday posted a 13.2 per cent increase in net attributable profit to Pta71.7bn (\$89.1m) for the first nine months of the year.

The result, which was helped by robust growth in the group's core commercial banking business both in Spain and Latin America, was in line with estimates. Santander had the highest nine-month net income among the domestic banks, ahead of the Pta70.4bn posted last week by Banco Bilbao Vizcaya, its closest domestic rival.

Mr Emilio Botin, Santander chairman, said the

results reflected "the excellent evolution of recurring income".

Reporting big increases in outstanding loans, mortgage lending and managed funds, the bank said that net interest income rose 12.3 per cent to Pta222.7m and that earnings from fees and commissions increased 14.6 per cent to Pta116.1m.

Average total assets, the largest among the domestic financial institutions, stood at Pta17,881bn, 14.5 per cent up on the nine-month stage last year, and return on equity increased from 16.55 per cent to 17.56 per cent.

Net provisions for loan losses, which increased 32.4 per cent to Pta32.7bn, and for goodwill amortisation, which grew at a similar rate to Pta14.8bn, held back prof-

itability. The group said, however, that these figures pointed to considerable unrealised earnings potential.

Some Pta12bn of the goodwill amortisation was absorbed by Banesto, the troubled bank which was acquired by Santander in 1994 and which is expected to start making a positive contribution to the group's results in the next 12 months. Under domestic banking rules, goodwill must be amortised over 10 years, instead of over 20 years as in the US, and it cannot be charged to reserves, as in the UK.

The results come as Santander deepens its involvement in Latin America, where it last week acquired 75 per cent of Grupo Financi-

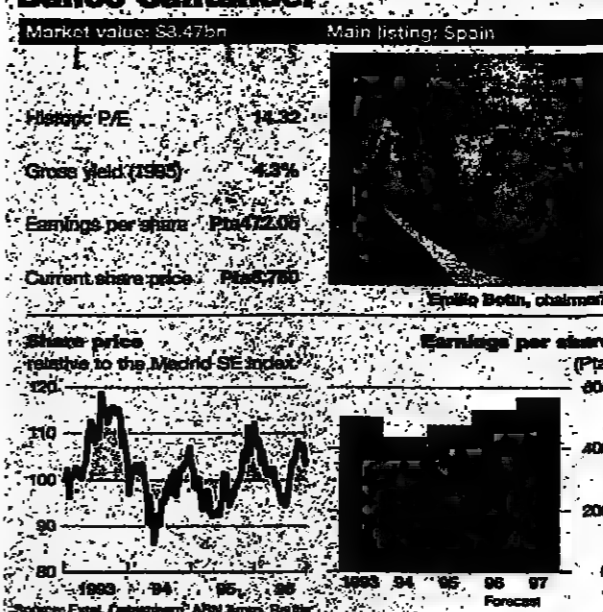
ero Invermexico, Mexico's fourth-largest financial institution, in a \$378m deal. In April, Santander spent \$495m on Chile's Banco Osorno, which it merged with its existing financial activities to form Banco Santander Chile.

The Spanish group is now set for an acquisition in Venezuela, where it has been shortlisted in privatisation tenders for Banco de Venezuela and for Banco Consolidado, a smaller bank. Decisions on both sales are due before the end of the year.

Santander, which is also present in Argentina, Peru and Puerto Rico, has still not reached a ceiling imposed by its board which limits investments in Latin America to 20 per cent of resources.

PROFILE

Banco Santander



AgrEvo forecasts 36% rise for year

By Frederick Stüdemann in Berlin

AgrEvo, the German agrochemicals company, said it expected operating profits to rise 36 per cent to DM200m (\$131m) as a result of unexpectedly strong sales growth and the effects of cost-cutting in the first three-quarters of 1996.

Mr Gerhard Prante, chief executive, said the company, which is jointly owned by Hoechst and Schering, now expects sales for the full year to reach DM3,750m, 11 per cent higher than in 1995 and well ahead of the market average of 3.4 per cent. Earlier this year AgrEvo had forecast sales of DM3,500m. Schering's shares advanced DM0.25 to DM124.80 on the news. Hoechst shares put on 77 pfennigs to DM58.05.

The strongest sales growth was expected in Latin America where a rise of 27 per cent to DM100m was forecast. This followed North America, where a 14 per cent increase to DM80m is expected. In Europe, the company's biggest market, a 4 per cent rise in sales to DM1,500m is forecast.

In global terms the com-

pany lifted its share of the \$26bn agrochemicals market to 9 per cent. In sales terms AgrEvo is now the second-largest agrochemicals company in the world after Novartis.

The company's biotechnology activities were progressing well but were dependent on public acceptance of genetically manipulated crops, Mr Prante said. This was a particular problem in Germany where there has been strong opposition from environmental groups.

Outside Japan the company benefited from a weakening of the D-Mark. Mr Prante said. In 1995 AgrEvo estimated it lost DM250m of sales and saw DM80m wiped off the operating profit by the negative effects of exchange rate.

Mr Peter Henkel, the board member responsible for administration and personnel, said AgrEvo's cost-cutting campaign was beginning to take effect and had contributed significantly to the rise in operating profits.

By 1998 the company aimed to cut DM300m off its costs compared with 1994. The 1996 profits forecast includes restructuring costs of DM180m, Mr Henkel said.

France Télécom's first payout set to top FFr1bn

By David Owen in Paris

France Télécom looks set to pay out more than FFr1bn (\$191m) in dividends to private investors in its first year as a publicly-quoted company.

Mr Michel Bon, chairman, said the company's overall dividend payout after next year's planned partial privatisation is likely to amount to about 45 per cent of net profits. This is the same proportion as the annual payment the company makes to the French state, at present its only shareholder.

Private investors are expected to be given their first opportunity to invest in the group next April in what is expected to be the country's largest privatisation to date. The planned float is one of a string of share offerings in state-controlled Euro-

pean telecoms operators.

Mr François Fillon, telecommunications minister, said recently the proportion of capital offered should be "about 20 per cent". The state is to retain 51 per cent of the company.

On this basis, the group would need to make 1997 profits of more than FFr1bn for the FFr1bn payout to be triggered. A report on the company published in June by BZW, the investment arm of Barclays Bank, estimated net profits for that year would be FFr12.5bn. This would compare with a 1995 figure of FFr9.2bn, generated from sales of FFr147.5bn.

Mr Bon said he expected the group's 1996 accounts to include net provisions of between FFr15bn and FFr30bn, taking its net worth to below FFr100bn. This would be less than the level of its net debt, but Mr

Bon indicated that from 1997 debt should fall by between FFr10bn and FFr15bn a year.

As well as important adjustments in the wake of the company's much-publicised agreement to pay FFr37.5bn to the state in return for the transfer of pension liabilities, these provisions would include a significant sum for property

write-downs. Mr Bon said this was needed because property was valued at 1990 levels - close to the peak of the French property market. According to BZW, France Télécom believes its "original 1990 balance-sheet may have overvalued land and buildings by up to FFr25bn".

Mr Bon said he wanted to make next year's float a

"popular French" share offering. "All the French are clients of France Télécom and everyone has a view of the quality of the product," he said.

The arrival of private investors should also give the company with a one-off benefit related to the fact that it will pay ordinary dividends several months later

than it currently pays the state. The company makes this payment on the last day of the year to which it relates, based on an estimate of eventual profits. The first dividends to private investors, by contrast, are unlikely to be paid until well into 1998. Extra interest on this money could be worth tens of millions of francs.

Randgold profits ahead sharply

By Mark Ashurst in Johannesburg

Randgold, the South African mining house whose recovery hinges on the fate of the country's marginal gold mines, announced a sharp rise in full-year profits.

Pre-tax profit for the year to September 30 more than doubled from R23.2m to R72.4m (\$15.66m). The results were not comparable with the previous period due to a radical restructuring, but they reflect significant gains from South African operations in the September quarter.

After-tax profit of R52.7m was 129 per cent higher than 1995, but included an exceptional item of R27.6m from the cancellation of management contracts with Blyvooruitzicht and Unisel mines. Excluding the exceptional item, after-tax profit increased by 9 per cent.

Turnover fell 21 per cent from R75.5m to R59.9m following the disposal of First Westgold mining company. Profit on the sale of investments was consequently higher at R37.9m compared with R254,000. No dividend was declared as Randgold had moved its year-end to March 31. The next financial statement will reflect the 18 months from October 1 last year.

Randgold's net asset value almost doubled to R1.9bn

during the period, reflecting the rapid growth of Randgold Resources, its new business arm. The market value of Randgold's investment in its listed South African interests was about R444m.

Earlier this month, Randgold Resources acquired a controlling stake in the Syama Gold Mine in Mali from BHP Minerals Mali for \$30m cash. The acquisition had wiped out the premium to net asset value of Randgold shares, which were trading at a discount to net asset value of about 18.6 per cent.

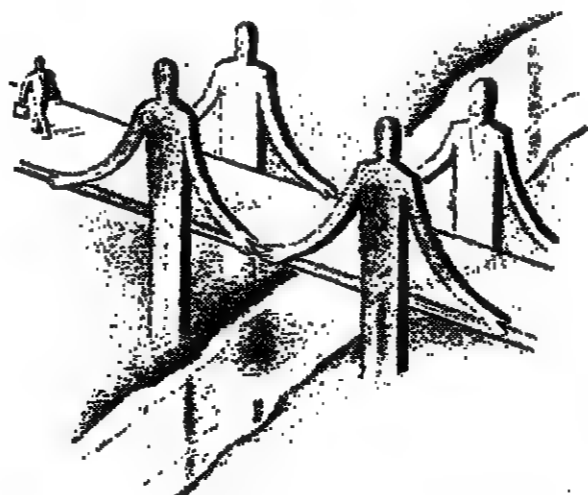
Mr Peter Flack, chairman, said the group's prime objective was "to eliminate the discount to NAV from the Randgold share price". Randgold had "moved our own goalposts" by buying Syama. The resources subsidiary would be listed before the first quarter of 1996 to raise cash to fund new business in Africa.

Randgold had become the first South African company to list on Nasdaq for 15 years. An issue of American Depositary Receipts, completed on October 4, had raised \$48m from 7 per cent secured guaranteed bonds convertible into South African equity by 2001.

Mr Flack said the issue, which was designed to increase Randgold's tradability, had been oversubscribed four times.

Morgan means more to raising equity

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UBS cautions on debt provisions

By William Hall in Zurich

Union Bank of Switzerland has underlined the continuing problems of the Swiss economy by signalling that had debt provisions this year will be higher than the SFr1.2bn (\$951m) predicted only two months ago.

Switzerland's biggest bank, which does not publish third-quarter figures, reported yesterday that its third-quarter results were weaker than in the first two quarters of the year. Nevertheless, it said earnings for the first nine months of 1996 exceeded last year's full-year figure. The outlook remained "cautiously optimistic".

Like other Swiss banks, UBS has been hit by the problems in the domestic real estate market and an economic slowdown. In early August, it announced a 70 per cent increase in first-half provisions for bad debts to SFr900m. It warned then there was "no sign of the situation improving" in the near future and it expected

provisions to remain high in the second half.

However, a month later, Mr Mathis Caballavetta, the group's new chief executive, was quoted as saying that he expected full-year provisions to be about SFr1.2bn, roughly in line with last year's figure. This led bank analysts to believe that the high-point in the group's bad debt provisions might have passed.

UBS did not elaborate on the reasons for its decision to take a more cautious stance on provisioning levels. It said there had been no improvement in the level of value adjustments, provisions and losses, which over all three quarters registered a significant increase against a year earlier. Credit risk provisions continued to relate almost exclusively to the Swiss loan portfolio.

Analysts are still expecting UBS to increase full-year earnings by about one-fifth in spite of its more cautious comments on its bad debt situation.

COMPANIES AND FINANCE: ASIA-PACIFIC

Operating result hit by soaring fuel prices and strong currency Singapore Airlines down 11% halfway

By James Kyngie
in Kuala Lumpur

Singapore Airlines, the national flag-carrier, yesterday announced disappointing first-half earnings, as it suffered from escalating fuel prices, the strong Singapore dollar, and a soft cargo market.

Group net profit rose 7.2 per cent to S\$561m (US\$399m), but operating profit for the six months to September 30 fell 11.4 per cent to S\$468m. Group revenues climbed 4.6 per cent to S\$3.53bn, and the gross dividend was 7.5 cents. The net profit was lifted by a large gain from the sale of aircraft and spares.

"It was a difficult first half, which saw the airline buffeted by escalating fuel prices, depreciating currencies like the yen and D-Mark, and soft cargo markets," Mr Cheong Cheong Kong, chief executive officer, said.

The fundamentals of the business were hit. Overall yields - the net revenue per unit (both passengers or cargo) - declined 6.7 per cent as fuel costs rose sharply and the value of earnings overseas fell in Singapore dollar terms.

The fall in unit costs - 2.3 per cent - was slower than the fall in yields, meaning the break-even load factor climbed 3 percentage points to 65.4 per cent for passenger flights.

The outlook for the second half remained problematic. "Passenger traffic is expected to remain strong, but yields will still be under pressure from keen competition and the strong Singapore dollar," the airline said.

The airline's share price was the biggest loser on Singapore's stock exchange yesterday, falling S\$1 to S\$13. Some analysts revised down their forecasts for the whole year, with some predicting that the airline's net

PROFILE

Singapore Airlines

Market value: S\$1.76bn Main listing: Singapore

Historic P/E 9.51

Gross yield 2.96%

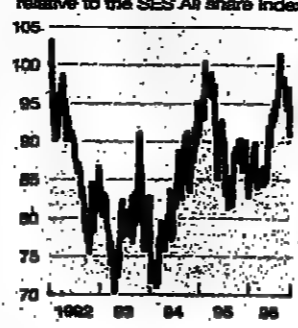
Earnings per share S\$0.80

Current share price S\$13

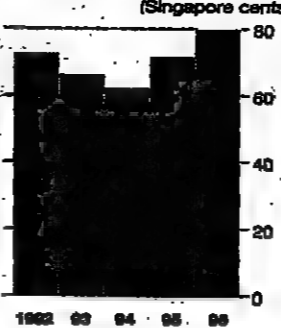


Cheong Cheong Kong, CEO

Share price relative to the SES All share index



Earnings per share (Singapore cents)



Source: Citic, Citicore, Reuters

profit would fall to make the S\$1bn mark in 1996-97. It reported a net profit of S\$1.08bn in 1995-96.

No significant surplus from the sale of aircraft was envisaged in the second half. The airline said that between April and September, it took delivery of two

Boeing 747-400s and four Airbus A340-300s, and sold four Boeing 747-200s and one Boeing 737-300 freighter.

The group's underlying financial position remains strong. Shareholder funds stood at S\$10.28bn on September 30, a rise of 9 per cent from a year ago.

Ayala Land solid amid unease

By Edward Luce
in Manila

Ayala Land, the Philippines' largest property company, said net profits grew 34 per cent to 3.2bn pesos (US\$124.5m) in the first nine months of 1996, in spite of fears of a downturn in the Philippine property market.

But the results, which mean that Ayala is on track to achieve full-year profits of 4.4bn pesos, failed to stem the decline of its shares, which have fallen almost 15 per cent in the past month.

Ayala's B shares, which are open to foreign buyers, closed 1.5 pesos down yesterday at 25.5 pesos.

"There is a lot of negative sentiment in the market at the moment about the Philippine property sector," said

Mr Colbert Nocom, analyst at ING Barings in Manila.

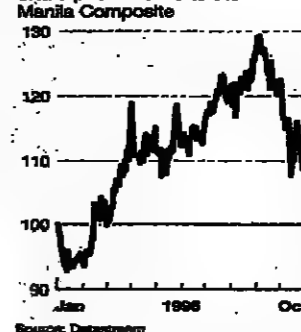
"We think that Ayala is being unfairly penalised by the pessimists because it is by far the healthiest property company in the Philippines."

The company, which lifted net revenues 26 per cent to 9.6bn pesos, said strong growth on all fronts had contributed to the earnings performance. Lot sales in the residential, commercial and industrial sectors led the way with a 38 per cent rise.

Most of Ayala's flagship projects, including the new stock exchange tower in Makati, Manila's business district - which posted a 100 per cent occupancy rate - also performed well. Sales of residential lots at Southvale village, an up-market hous-

Ayala Land

Share price relative to the Manila Composite



Source: Citicore

ing project in Manila, grew 77 per cent to 3.62bn pesos.

The company, which is about to pre-sell condominium units at its Roxas luxury property development in Makati - a joint venture

with Hongkong Land - also posted healthy growth in its middle-income housing projects. The sale of lots at the Madrigal business park and Laguna Technopark also grew strongly, the company said.

Some analysts, however, expressed concern that Ayala's net earnings actually dropped 4 per cent from the first six months of 1996. But the company, whose shares are trading at a 50 per cent discount to net asset value - considered a good indicator of property stocks - said it had postponed big sales until the fourth quarter, to exploit the seasonal rise in prices.

"If the property market does crash in the next few months, Ayala would be well placed to withstand the ill-effects," Mr Nocom said.

KDD forced to cut profit forecasts

By Michio Nakamoto
in Tokyo

KDD, Japan's leading international telecommunications operator, has revised downward profit estimates because of weak demand and the impact of rate cuts introduced in the summer.

The company expects recurring profits in the six

months to September to be Y14.5bn (\$127.9m), rather than Y17bn as initially forecast, because of weaker than expected demand for international call services and the impact of discounts it launched to improve international competitiveness.

Net profits are likely to be Y8.3bn, rather than Y9bn as forecast earlier. Sales for the

half-year will be Y166.5bn, rather than Y170bn.

For the full year, KDD expects full-year recurring profits to be Y27bn, rather than the Y32bn forecast, on sales of Y337bn, compared with Y343bn. It sees net profits at Y18.5bn compared with a forecast of Y18bn.

The company blamed slower than forecast growth

in the international call market, in part because of sluggish economic recovery. KDD's international calls are estimated to grow 9 per cent for the year, rather than at its earlier estimate of 11 per cent.

The impact of volume discounts is likely to be Y1.4bn in the first half, rather than Y900m.

Philippine SE moves toward self-regulation

By Edward Luce

The Philippine Stock Exchange has voted through a series of reforms which will enable it to become self-regulatory on November 12.

The move, which comes after months of often arcane wrangling, brings the Philippine regulatory framework into line with the system in New York. It is expected to send a positive signal to foreign investors.

The PSE, which says the move is part of a drive to shed its reputation for managing a closed shop for local brokerage houses, says the change in status will help modernise the market and put overseas investors on an even footing with their local counterparts.

"We wanted to show that we are a transparent exchange and not a private club," said Mr Wilson Sy, chairman of the 15-member board of directors. "We want to create more confidence among foreign investors and to show that we can professionalise the PSE."

Foreign brokers, however, say the move - which will enable the PSE to elect three non-brokers to the board of directors and give more power to the PSE's surveillance department to root out insider trading - is not enough.

Overseas broker houses, which form a significant minority of the 180 exchange members, say the PSE remains an opaque institution run by a cabal of mainly Chinese-Philippine brokerages.

"A lot more needs to be done to make the PSE the

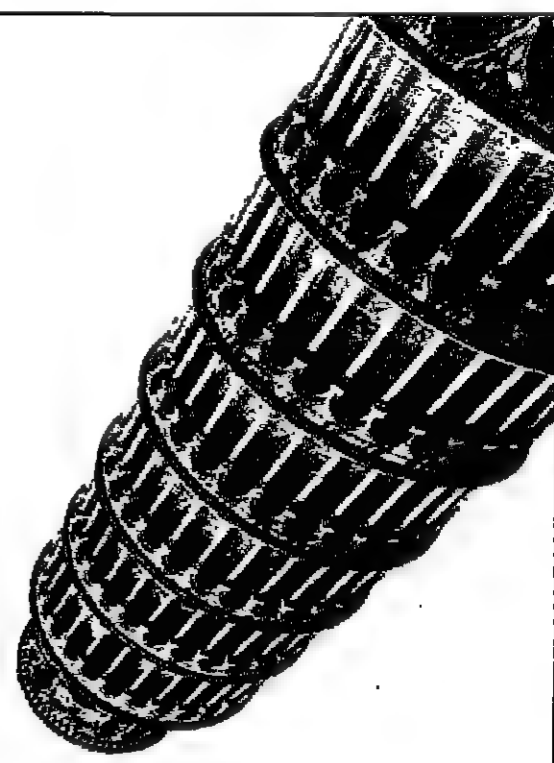
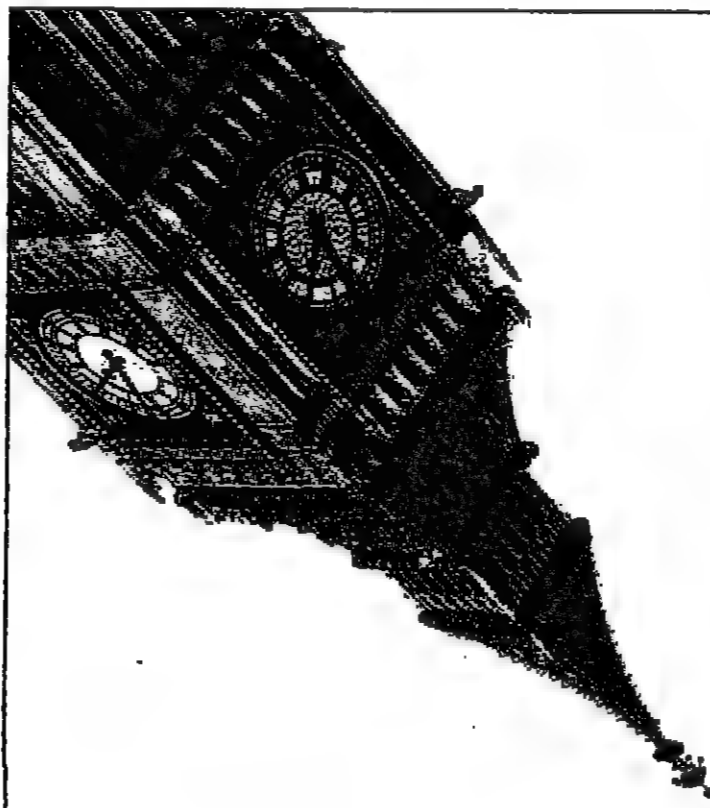
professional and transparent place it claims to be," one foreign broker said.

Philippine officials say the change in regulations will give the surveillance department the right to audit brokerages at any time without having to request permission from the board of directors. The department's power to investigate share price irregularities will also be strengthened.

Under the changes, which give the PSE autonomy from the day-to-day interference of Manila's Securities and Exchange Commission, two non-brokers will be elected to the board. These are expected to include one mutual fund manager and one company executive. Their election, which will take place after November 12, is expected to dilute local brokers' stranglehold over policymaking. The third non-broker is the president of the board.

"The reason these reforms are going through is because the globe is getting very small nowadays," said Mr Vitaliano Manages, recently appointed president of the PSE. "If we don't compete for foreign funds, nothing will come our way."

With many foreign investors moving out of Philippine stocks in the past few weeks, on fears of a downturn in the country's property sector, few believe the reforms will reverse the tide. But many, including foreign investors themselves - who make up about two-thirds of the PSE's daily turnover - say the move is at least a step in the right direction.



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Nocil unit seeks tie-up

By Tony Tassell
in Bombay

National Organic Chemical Industries (Nocil), the Indian group, plans to spin off its petrochemical operations into a joint venture with a multinational company.

Nocil said Arvind Mafatlal was talking to five international petrochemical industry leaders about a joint venture as part of its efforts to finance expansion.

For the past two years Nocil has been planning a Rs46bn (\$1.2bn) expansion of

its plant at Thane, near Bombay, which will include a greenfield cracker project. However, it has been unsuccessful in raising finance through debt or equity issues.

Nocil said a majority stake in the proposed joint venture may be offered to the foreign partner, although details had not been decided. It said petrochemicals accounted for about half of total turnover.

The company made net profits of Rs911m in the year to March 1996, on sales of Rs10.3bn.

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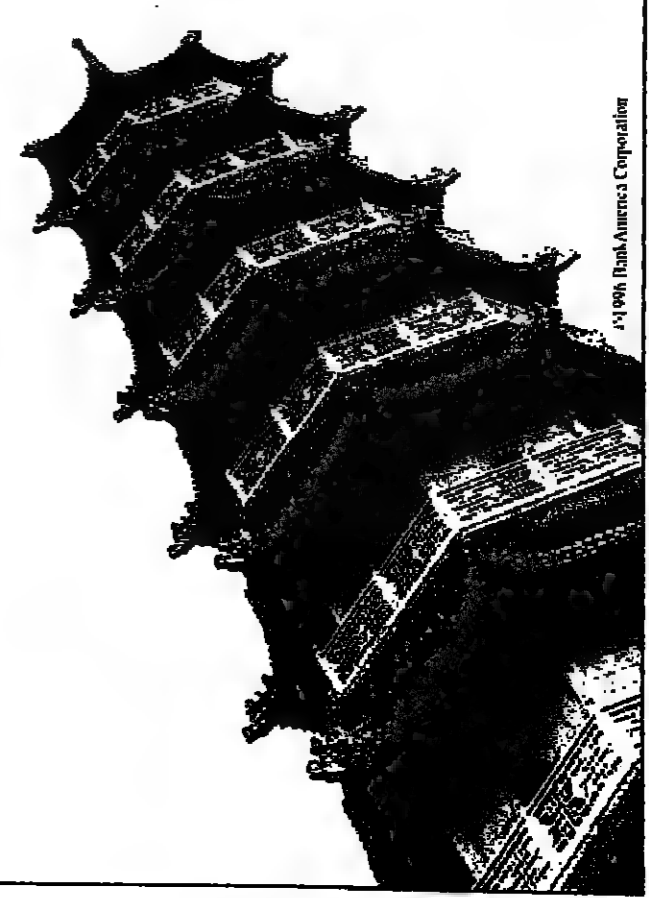
U.S. \$250,000,000
Subordinated Floating Rate Notes due 2000
of which U.S. \$140,000,000 is being issued
as the Initial Tranche and U.S. \$70,000,000
is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 28th October, 1996 to 28th April, 1997 the Notes will carry a Rate of Interest of 6.14063 per cent. per annum with an Amount of Interest of U.S. \$3,104.41 per U.S. \$100 Note. The relevant Interest Payment Date will be 28th April, 1997.

Bankers Trust Company, London Agent Bank



Bank of America



COMPANIES AND FINANCE: ASIA-PACIFIC

Pressure off UTI to sell equity portfolio

By Tony Tassell in Bombay

The Unit Trust of India, the country's biggest mutual fund organisation and largest investor, has signalled that the pressure on it to sell shares to meet redemption payments has eased.

UTI said redemptions dropped sharply in the first quarter to September 30, to Rs14bn (\$393.3m) from Rs26bn in the same period last year. The news is likely to offer some relief to the Indian share market, given UTI's dominance of it.

The trust holds an equity portfolio equivalent to 9 per cent of the market capitalisation of the Bombay Stock Exchange. However, for much of the past two years this traditional supporter of the market has been a net seller of Indian equities because of heavy redemption pressures. Redemptions totalled Rs108bn in 1995-96 and Rs125bn in 1994-95.

UTI's sell-down has been an important factor behind the slump in the market over the past two years. The market indicator, the BSE 30 index, fell from a high of

4,643 in September 1994 to a low this year of 2,830 in January, although it has since rebounded above 3,250.

Mr Jagdish Kapoor, chairman of UTI, said heavy redemptions over the past two years had been driven by tight liquidity conditions in the Indian economy and tax regulation changes which made investment in mutual fund schemes less attractive to corporations.

"Since July, the pressure has eased considerably. Redemptions have been much less," he said.

Mr Ramnath Iyer, analyst with brokers Peregrine India, said the reduction in redemptions was good news for the share market. "UTI may still remain marginal net sellers in the market, but they will not be the aggressive sellers they were last year," he said.

Mr Iyer said if UTI selling slowed, prices may be pushed up by a shortage of supply. "UTI is traditionally the first port of call for anyone wanting Indian stocks. If they are not selling, the buyers will find it more difficult to pick up stock," he said.

The fall in redemptions comes as UTI finalises plans for a restructuring designed to separate its mutual fund operations from retail banking, broking, credit rating and custodial services.

The move is a response to criticism about the transparency and accountability of its operations, and to a challenge to its dominance of the Indian share market by an increasingly competitive mutual fund industry and inflows of foreign investment.

Mr Kapoor said a holding company would be set up to hold stakes in UTI's various operations. The company would then establish an asset management company to run the mutual fund operations on an "arm's length" basis. Shares in the holding company are likely to be offered to Indian financial institutions and the government.

Talks are continuing with Japanese group Nomura over a broking venture, and UTI is planning an offshore index-linked mutual fund with Swiss bank SBC Warburg.

Western music makers hit sour note in Asia

Piracy and sluggish demand have slowed growth in the region

The aisles of the gleaming new HMV record store on the top floor of an Osaka shopping centre are crisscrossed with Japanese teenagers, browsing through the racks or glancing at giant video screens.

HMV's expansion in Japan, and other Asian countries, together with that of rival Western record chains Tower and Virgin, helped turn Asia into one of the most dynamic areas of the global music market in the early 1990s.

The multinational entertainment groups that dominate the industry hoped Asia would show strong growth for the rest of the decade. However, music sales stalled in several countries, including Hong Kong, Singapore and South Korea, during the first half of 1996, reflecting slack demand and rising piracy in parts of the region.

Asia has never been an easy area for multinational record companies. Japan is well established as the world's largest music market after the US, but until recently other countries in the region were closed to foreign record companies because of restrictions on inward investment.

As those restrictions have been lifted the multinational groups have moved in. Japan's Sony, PolyGram of the Netherlands, and the UK's EMI have built on existing interests in the region. Warner of the US and Germany's Bertelsmann have expanded their activities there.

These companies have had some success at introducing Western superstars to Asia, notably Sony's Mariah Carey and EMI's Spice Girls. However, most of the market's



Home-grown talent: PolyGram signing Jacky Cheung

growth has been driven by indigenous artists, such as Dadawa, the Chinese singer signed to Warner, and Jacky Cheung, PolyGram's Hong Kong superstar known as "The God of Songs".

The record companies' expansion, coupled with that of HMV, Tower and Virgin, has led to improvements in Asian music distribution and investment restrictions were eased. Warner recently invested in Indonesia, and Sony is seeking government approval to follow suit.

The most promising market, China, may also be the hardest to crack. At present, all record companies operating there are under strict government control. Mr Norman Cheng, president of PolyGram Far East, is hopeful China will eventually open up to foreign investment, but is aware that "things can take a long time to happen there".

China has also emerged as one of the largest sources of pirated recordings, which are blamed for the first-half slowdown. Mr Martin Davis, head of Sony Music Asia, blamed increasing availability of unauthorised recordings for the decline in legitimate music sales in Thailand and Hong Kong. Singapore has also seen legitimate sales fall, as piracy has risen.

The US government is taking a tough line on Asian music piracy, and European record companies have pressed the European Commission to follow suit. However, Western executives are braced for a long struggle against the Asian cassette pirates. One said he feared they would be "a thorn in our sides" into the next century.

with Mr Rupert Murdoch's Channel [V], should continue to stimulate interest in music, particularly among young consumers.

Further, there are still new markets for the multinationals to exploit. PolyGram and Bertelsmann took majority stakes in Indian companies last year, when investment restrictions were eased. Warner recently invested in Indonesia, and Sony is seeking government approval to follow suit.

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Alice Rawsthorn

ASIA-PACIFIC NEWS DIGEST

IHI forecasts flat results for year

Ishikawajima-Harima Heavy Industries, the Japanese aerospace, defence and engineering group, yesterday reported a slight fall in profits for the six months to September and forecast flat earnings for the full year.

IHI's recurring profit before tax and extraordinary items fell 2.1 per cent from the first six months of last year, to ¥11.06bn (\$97.5m), on almost flat turnover of ¥396.22bn. Net profits, however, rose 8.3 per cent to ¥8.56bn. It blamed the fall in recurring profits on the costs of streamlining its shipbuilding unit. A tiny sales increase was attributed to stronger demand for machinery from paper and pulp making companies. The group forecast a decline in sales of nearly 2 per cent, to ¥840bn, in the year to March, because of the slowdown in orders for nuclear reactors. It expects this to be struck on a small increase in recurring profit, to ¥25bn, and unchanged net profit of ¥13bn. The figures represent a slight upgrading of earlier forecasts, from an initial ¥22bn of recurring profit on sales of ¥830bn. The revisions are based on higher than expected profits on exports, after the year's depreciation, and increased engineering repair orders.

William Doukin, Tokyo

ANZ dismisses takeover talk

Australia and New Zealand Banking group (ANZ), one of the country's "big four" commercial banks, yesterday denied a local newspaper report that it was considering a merger with London-based Standard Chartered.

"Whilst we do not normally comment on rumours and speculation regarding mergers or acquisitions, the very specific nature of the article requires this definite denial," it said. ANZ stressed it was not "investigating or discussing" any merger plans with Standard Chartered.

The speculation is the latest in a wave of bid rumours to hit the Australian banking sector. Under the previous Labor government, the four national banks were viewed as secure from takeover. However, the new conservative Liberal-National government has set up an inquiry into the industry. This is expected to review merger constraints when it reports next year.

Already, ANZ and Westpac - which are seen as the most vulnerable to predators - have attracted takeover talk. ANZ shares closed 4 cents higher, at A\$7.20, while Westpac rose 13 cents to A\$6.89.

Nikki Task, Sydney

Goodman Fielder sees upturn

Goodman Fielder, Australia's largest food group and the focus of institutional investor concerns because of its flat profits performance, has forecast an improvement. "The market will remain tough, but our success in confidence strengthening the company thus far gives me confidence that we will improve our results in the coming year," Mr David Clarke, chairman, said. In 1995-96, Goodman made A\$100.7m (US\$78.7m) after tax but before abnormal items.

Nikki Task

Export growth buoys NSK

NSK, Japan's largest manufacturer of ball bearings, more than doubled first-half pre-tax profits, helped by an improvement in productivity and costs and strong overseas demand. The company, which is strong in ball screws for machine tools, lifted pre-tax profits by 126 per cent to ¥8.25bn (\$72.7m), while net profit rose 110 per cent to ¥4.95bn. The gains came on sales up just 3 per cent to ¥177.15bn.

NSK said domestic business fell slightly, mainly because of the downturn in demand from electric machinery makers, which have shifted a considerable amount of their manufacturing overseas. However, demand from the rest of Asia was buoyant, lifting exports 15 per cent. For the full year, the company expects a rise in pre-tax profits to ¥15bn on moderately higher sales of ¥365bn.

Michiko Nakamichi, Tokyo

Output setback at Grasim

Grasim Industries, one of India's leading industrial companies, said output fell in the six months to September, except in the cement and sponge iron divisions.

Viscose staple fibre production in the half totalled 69,652 tonnes, down 8.29 per cent, while output of rayon grade wood pulp fell 6.56 per cent to 55,511 tonnes. Soda output was 8.22 per cent lower at 52,755 tonnes. Cement output, however, totalled 2m tonnes, up 44 per cent; production of sponge iron output rose 63 per cent to 381,157 tonnes. Analysts expect Grasim's net profit for the six months to September to fall 10-15 per cent, from Rs1.68bn (\$47.2m) a year earlier.

AFX-Asia, Bombay

Shangri-La in Burma deal

Shangri-La Hotel, the Asian hotel and property development company, will pay \$12.1m for a 28 per cent stake in Burma's Traders Square, which has a contract with Burma's defence ministry to develop a commercial complex in Rangoon.

Ted Bardack, Bangkok

HK groups in fundraisings

By Louise Lucas in Hong Kong

Two Hong Kong companies involved in China property developments have unveiled details of share offerings timed to capitalise on the surge of liquidity and bullish sentiment in the Hong Kong market.

The first, Concord Land Development, is being spun off from Pacific Concord Holdings, a diversified manufacturing and telecoms company. It is looking to raise about HK\$1.1bn (US\$142.3m) through the sale of new and old shares.

China Resources Beijing Land, the China property arm of China Resources, the

mainland-backed conglomerate listed in Hong Kong, will follow a day later with a HK\$700m fundraising.

Concord Land Development is offering 300m shares at a price of between HK\$3.34 and \$3.96. Some 15 per cent of the stock will be sold through an initial public offering (IPO) which kicks off in Hong Kong today. Dealing in the shares is scheduled to start on November 7.

Net proceeds will be spent on shopping mall developments in Chinese cities. According to the company prospectus, it will have total net tangible assets of between HK\$6.7bn and HK\$6.84bn, giving a net

asset value per share of between HK\$5.58 and \$5.70.

China Resources Beijing Land is also issuing 300m shares, but in a price range of HK\$2.18 to HK\$2.36. The maximum would put the stock on a prospective price/earnings ratio of around nine times. The price will be fixed on Friday and dealing in the shares is expected to begin the following Friday.

Some 85 per cent of the shares are to be placed internationally, with the balance sold to Hong Kong investors. There is a "greenshoe" over-allotment option on the IPO, to 30 per cent of the total, with a corresponding reduction in the international placement.

J.P. Morgan wishes to thank the speakers and guests at our

Asian Issuer-Investor Conference

held October 6th-15th in Hong Kong, Manila, Jakarta, Bangkok, New Delhi, and Bombay and sponsored by our Global Fixed Income Group.

Speakers:

Advanced Info Service Public Company Limited
Asia Pulp and Paper Co. Ltd.
Bank of Ayudhya Public Company Limited
Bank Indonesia
PT. Bank Internasional Indonesia
PT. Bank Negara Indonesia
China Light & Power Company, Limited
Electricity Generating Authority of Thailand
First Gas Holdings
ICICI Securities and Finance Company Limited
Industrial Credit and Investment Corporation of India Ltd.
Industrial Development Bank of India
The Industrial Finance Corporation of Thailand
The Korea Development Bank
Korea Electric Power Corporation
Krung Thai Bank Public Co., Ltd.
Mass Transit Railway Corporation
Ministry of Finance, People's Republic of China
PT. Mulia Indusindo
PT. Mulialand
PCI Bank
Philippine Long Distance Telephone Company
PT. Polysindo Eka Perkasa
Reliance Industries Limited
Reserve Bank of India
San Miguel Corporation
The Siam Commercial Bank Public Company Limited
SM Prime Holdings Inc.
Steel Authority of India Ltd.
The Tata Iron and Steel Co., Ltd.
Tenaga Nasional Berhad

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The Bank's Annual General Meeting, held in Milan on 28th October 1996, adopted the following

BALANCE SHEET AS AT 30TH JUNE 1996

ASSETS		LIABILITIES	
CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	109,629,476	DEPOSITS FROM BANKS:	
GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	4,294,281,363,249	Repayable on demand	3,109,534,351
AMOUNTS DUE FROM BANKS:		Term deposits and deposits repayable under notice	3,072,395,857,969
Deposits repayable on demand	301,238,792,212	CUSTOMER DEPOSITS:	
Other amounts	1,646,405,582,730	Repayable on demand	6,000,836,502
LOANS AND ADVANCES TO CUSTOMERS	19,571,621,170,205	Term deposits and deposits repayable under notice	49,498,322,276
DEBT SECURITIES ISSUED BY:		DEBT SECURITIES IN ISSUE:	
Public agencies	130,367,897,640	Bonds	9,262,609,522,802
Banks	94,831,835,256	Certificates of deposit	12,117,722,566,780
Financial companies	18,000,000,000	OTHER LIABILITIES	
Other issuers	29,170,747,016	Accrued expenses and deferred income	113,230,112,522
EQUITY INVESTMENTS	3,378,993,895,227	ACCRUED EXPENSES AND DEFERRED INCOME:	
INVESTMENTS IN GROUP UNDERTAKINGS	90,018,917,687	Accrued expenses	624,451,357,478
TANGIBLE FIXED ASSETS	30,298,356,891	Deferred income	30,033,742,778
OTHER ASSETS	208,671,104,886	PROVISION FOR STAFF TERMINATION INDEMNITIES	457,495,680,259
ACCRUED INCOME AND PREPAID EXPENSES:		PROVISION FOR TAXATION	23,237,759,509
Accrued income	625,711,493,643	CREDIT RISKS PROVISION	125,851,580,367
Prepaid expenses	62,772,082,392	GENERAL BANKING RISKS PROVISION	308,096,223,894
of which: Elements on hand	and Lit. 3,000,940,840	SHARE CAPITAL	476,000,000,000
	688,483,577,035	SHARE PREMIUMS	1,530,000,000,000
	30,262,658,050,206	LEGAL RESERVE	95,200,000,000
		STATUTORY RESERVES	1,692,300,000,000
		REVALUATION RESERVES	14,899,082,000
		RETAINED EARNINGS	82,899,769
		PROFIT FOR THE YEAR	120,354,104,068
			30,262,658,050,206

It was resolved:

1. to allocate Lit. 23.5 billion to the Statutory Reserves;

2. to pay a dividend of 20%, i.e., Lit. 200 per share on all the Bank's 476 million shares currently in issue representing its share capital of Lit. 476 billion.

The gross dividend of Lit. 290 per share will be payable as from 18th November 1996 upon surrender of Coupon No. 15 of the Company's Bonds. The dividend will be payable at the Bank's Head Office, Via Filodrammatici 10, Milan, and at Branches in Italy of Banca Commerciale Italiana, Banca di Roma, Credito Italiano, and also at Branches abroad in respect of shares administered by it, under current legal regulations.

HI forecasts
results for year

ANZ dismisses takeover

European leaders

Export growth

The year

Admission

invented telephone.

(ALSO transistor, laser, Telstar satellite, fibre-optic cable, cellular).

Have won awards. (Nobel etc.)

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Biotechnology 'angels' fund is launched

By Daniel Green

Britain's first biotechnology "business angels" fund is being launched today. Backed by Mr Chris Evans, the biotechnology entrepreneur behind three companies already quoted on the stock market, the fund aims to put up to £50m (\$78m) into university and hospital science. The fund intends to plug a gap in UK venture capital, highlighted yesterday in a Bank of England report, which leaves technology start-up companies starved of cash. Conventional venture capital usually invests in lower risk management buy-outs. The few specialist biotechnology funds in the UK tend to invest mostly in the US and to avoid scientists who have not already written a business plan. The "angels" fund has two components. Merlin Ventures, majority owned by Mr Evans, will identify interesting science projects in UK universities, and the Merlin Fund will invest City of London money in companies started by Merlin Ventures.

Merlin Ventures aims to create viable companies by bringing together potential new medicines and technologies from different universities and hospitals.

It will invest an average of about £250,000 in each start-up. The money will come from Mr Evans and his associates who will also help write the business plans, form the management structures and set the commercial strategies. They will also try to bring together science and scientists to create companies which have "portfolios" of new products under development. This is designed to spread risk and is the normal structure for biotechnology and pharmaceuticals companies.

In the US, home to most of the world's biotechnology companies, wealthy individual "business angels" are an established source of funds for high technology start-up companies.

The spark that lights up world interest

Yesterday's £766m (\$1.2bn) bid for Northern Electric, the north-east of England electricity company, may herald the beginning of another wave of takeovers in the UK electricity sector.

Northern is one of five of the original 12 regional electricity companies in England and Wales that remain independent. "The Northern bid is the opening shot in a renewed wave of corporate activity," said Mr Michael Cohen, utilities analyst at Salomon Brothers.

Three regional electricity companies - Seeboard, South Western and Midlands - have already fallen to US bidders. Mr Cohen said he expected more to follow.

"US companies are looking at the UK as the most advanced privatised utilities market in the world. Northern is a foothold in the UK as well as Europe."

CE Electric UK, the bidder for Northern, is a partnership between CalEnergy, a US independent generator, and its largest shareholder Peter Kiewit Sons, a US construction group. CalEnergy owns 70 per cent of CE Electric.

Mr David L. Sokol, CalEnergy's chairman and chief executive, said that while financial considerations were important the bid for

Simon Holberton looks at the global focus on the UK's electricity independents

Northern was about "strategy". "There is an acceleration in deregulation around the world. There are enormous opportunities in supply and distribution." He also sees opportunities to use Northern's supply expertise in the US market, itself in the throes of deregulation.

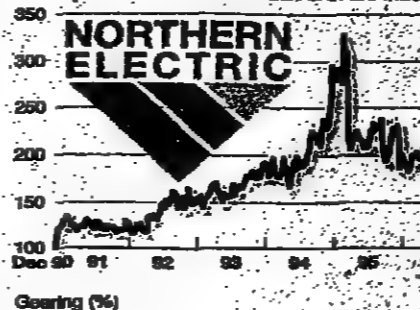
Mr David Morris, chairman of Northern, said yesterday it was nice to hear that CalEnergy valued his company's expertise so highly. "I have no doubt that they are reputable people and serious players."

However, he said the bottom line was value. "The value CalEnergy has in mind is slightly different from where they started. It's difficult to see a basis for talking." He suggests that when the two had talks last week CalEnergy mentioned a figure of about 700p, not the 630p now being offered. Mr Sokol countered that CalEnergy did not make a formal offer and that 630p

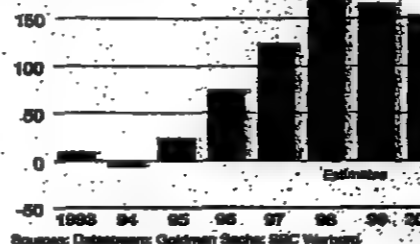
"fully valued" Northern. While the share price jumped from 520p to 648p, some utilities analysts thought 630p was fair. Merrill Lynch said the offer, adjusted for Northern's capital restructuring in the wake of Trafalgar House's abortive

Current situation

Share price relative to the FTSE All-Share Index

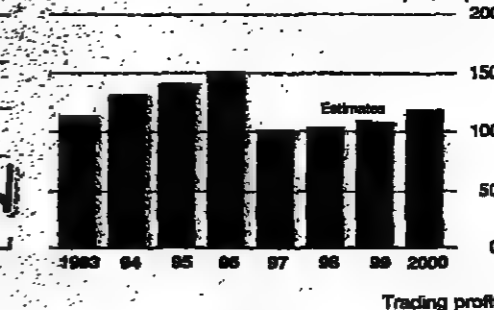


Gearing (%)

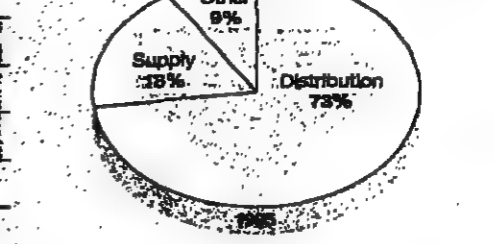


Source: Callaghan, Callaghan, Callaghan, SBC Warburg

Pre-tax profits (£m)



Trading profit £158.1m



£11 a share bid, valued each Northern share at £11.06.

Northern has returned nearly £540m to shareholders since it fought off Trafalgar in 1995. It has done this through a 100p special dividend, a preference share issue, the distribution of

shares in National Grid and a 63p special dividend from the proceeds of the Grid demerger. The final tranche of its shareholder value package will come in January when it pays a special dividend of 56p. SBC Warburg has looked

at all 10 bids for UK electricity companies from the basis of how many years' gross cash flow (earnings before interest, tax, depreciation and amortisation) would be needed to pay off the bids. This produced a range of 5.6 years to 8.3 years with an

Middlesex casts investor net wider

By Jane Martinson

Middlesex Holdings, the diversified company which specialises in commodities in the former Soviet Union, joined the main market yesterday as part of a push to attract more institutional investors for the next stage of development.

The three-year-old company's activities include a financial services division as well as ventures in the steel, oil, coal and gold industries. Lord David Owen, who became chairman a year ago, said the company had succeeded in Russia because of the strength of its personal relationships.

Mr Masoud Alkhami, chief executive and Middlesex's largest shareholder with a 12 per cent stake, had been working in the area for three years prior to the formation of the company, which was named after an English county cricket club.

Lord Owen said it was "extraordinary opportunities" in Russia which had attracted him to Middlesex.

The company sometimes operates via pre-financed deals to facilitate the export of the overcapacity in Russia's large manufacturing industries.

The shares were unchanged at 84p, valuing the company at £40.4m.

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£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th October, 1996 to 28th January, 1997 the following information will apply.

1. Rate of Interest 5.1875% per annum
2. Interest Amount payable on Interest Payment Date: £77.93 Per £25,000 nominal or £778.31 Per £250,000 nominal

3. Interest Payment Date: 28th January, 1997

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INTERNATIONAL CAPITAL MARKETS

Brazil seeks \$750m in first global issue

INTERNATIONAL BONDS
By Samer Iskander

Falling European government bond markets yesterday failed to stem the flow of new eurobond issues, as borrowers inundated the primary market with new paper.

Brazil returned to the dollar sector for the first time since 1982, launching its first global issue - \$750m of five-year notes. Mr Gustavo Franco, director of the international department at the central bank, said the issue was "the big test" for the country. "Today we are exposing ourselves to the judgment of the market."

Mr Franco said that with nearly \$600m in foreign reserves - covering a whole year of imports - the country did not need the money. "The transaction will mainly serve the private sector," he said. "By establishing a sovereign benchmark, we will

give corporate borrowers access to cheaper international financing."

J.P. Morgan, joint lead manager with SBC Warburg, said the pricing had been set in the middle of the announced range of 255 basis points to 275 basis points over US Treasuries, "to take account of market conditions". But rival banks still described the issue as "overpriced" or "too tight" - it cheapened by the end of the day to a spread of about 280 points. They compared it to Mexico and Argentina, whose similar bonds trade at more generous spreads - 335 and 408 basis points respectively.

SBC Warburg said the pricing had "more to do with Brazilian economic fundamentals than a rating perspective". It also pointed out that the strong Asian demand, about 40 per cent of the amount, consisted mainly of "first-time buyers of Brazilian exposure".

Mr Franco also said the ratings of B1 and B+ by Moody's and S&P were "perhaps lagging behind the economic situation", but predicted this situation "should correct itself over time".

Deutsche Pfandbrief, the German bank, launched two issues, the larger of which consisted of profit-sharing certificates maturing in 2012. It pays a coupon of 7.65 per cent, which is scrapped if the bank makes losses in any particular fiscal year. Unpaid coupons would be paid retroactively once the institution returns into profit.

This structure allows the funds to qualify as tier-two capital, raising DePa's capital ratio more than 2 percentage points to 14 per cent - the tier-one capital ratio stands at 7 per cent.

Mr Frank Rohland, DePa's treasurer, said the deal was the "first ever underwritten by a single bank", Commerzbank, which will be holding

New international bond issues

Issuer	Amount	Coupon	Price	Maturity	Yield	Spread	Book-runner
US DOLLARS							
Federative Rep of Brazil	750	8.875	98.088	Nov 2001	0.50	285 1/2-3/4	J.P. Morgan/SBC Warburg
Japan Highway Public Corp	500	6.625	98.719	Nov 2005	0.325	225 1/4-3/8	Nomura Ltd
Himechi Credit Corp	200	6.625	98.719	Nov 2005	0.325	34 1/2-3/4	J.P. Morgan
BES Overseas Ltd	250	6.625	98.719	Nov 2005	0.325	34 1/2-3/4	Merrill Lynch/BSE/B. Eal
EURO DOLLARS							
Hypothenbank in Basel	250	5.75	98.76	Feb 2004	0.51	-	(B1)
DePa	750	7.65	100.00	Jul 2012	undis	-	Commerzbank
Deutsche Pfandbriefbank	500	6.125	99.309	Nov 2005	2.50	-	Commerzbank
DePa Bank	300	4.00	98.65	Nov 2001	0.15	-	J.P. Morgan
URS (G)	100	2.50	98.951	Nov 1999	0.251	82 1/2-1/4	UBS
AUSTRALIAN DOLLARS							
New South Wales Trwy	200	6.00	98.93	Nov 1999	1.375	-	Nomura International
Toyota Finance Australia	150	7.00	101.27	Dec 2001	2.00	-	Hembridge
NEW ZEALAND DOLLARS							
Council of Europe	100	7.00	100.00	Nov 1999	0.50	-	Tayo Mabe/Whitby Sec Sp
STERLING							
Nippon Telegraph & Tel	250	3.25	98.318	Dec 2003	0.1178	189 1/4-3/8	BZW
ITALIAN LIRE							
World Bank	3000	2.50	23.51	Nov 1998	2.00	-	Credito Italiano
Credito Local de France	3000	101.17	101.17	Dec 2003	2.00	-	Credito Italiano
IM Bank Int. Cayman	3000	7.50	101.404	Nov 2001	1.875	-	IM Luxembourg
PERU SOLES							
Nordic Investment Bank	140	7.70	101.45	Dec 2006	1.75	-	Banco Bilbao Vizcaya
ECU							
Kredietbank Int Finance	55	5.00	101.70	Dec 2004	2.00	-	Kredietbank

First notes: non-callable unless stated. Yield spread over relevant government bond at launch, applied by lead manager. ¹Unlimited, ²Convertible, ³With equity warrants, ⁴Fixed-rate note, ⁵Semi-annual coupon, ⁶Fixed-rate note, ⁷Fixed-rate note, ⁸Fixed-rate note, ⁹Fixed-rate note, ¹⁰Fixed-rate note, ¹¹Fixed-rate note, ¹²Fixed-rate note, ¹³Fixed-rate note, ¹⁴Fixed-rate note, ¹⁵Fixed-rate note, ¹⁶Fixed-rate note, ¹⁷Fixed-rate note, ¹⁸Fixed-rate note, ¹⁹Fixed-rate note, ²⁰Fixed-rate note, ²¹Fixed-rate note, ²²Fixed-rate note, ²³Fixed-rate note, ²⁴Fixed-rate note, ²⁵Fixed-rate note, ²⁶Fixed-rate note, ²⁷Fixed-rate note, ²⁸Fixed-rate note, ²⁹Fixed-rate note, ³⁰Fixed-rate note, ³¹Fixed-rate note, ³²Fixed-rate note, ³³Fixed-rate note, ³⁴Fixed-rate note, ³⁵Fixed-rate note, ³⁶Fixed-rate note, ³⁷Fixed-rate note, ³⁸Fixed-rate note, ³⁹Fixed-rate note, ⁴⁰Fixed-rate note, ⁴¹Fixed-rate note, ⁴²Fixed-rate note, ⁴³Fixed-rate note, ⁴⁴Fixed-rate note, ⁴⁵Fixed-rate note, ⁴⁶Fixed-rate note, ⁴⁷Fixed-rate note, ⁴⁸Fixed-rate note, ⁴⁹Fixed-rate note, 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THE NETHERLANDS

European business hub

The stock of foreign capital employed in Dutch business represents more than a quarter of the country's gross domestic product, compared with a European Union average of about half that, writes Gordon Cramb

Fokker, the Dutch aerospace company, has been grounded virtually all year and Philips, Europe's biggest maker of electronics goods, is suffering a profits short-circuit. Yet, while these two corporate agonies have together cost several thousand Dutch jobs, many more are being created - at a rate not seen since the 1960s - as the Netherlands experiences a consumer-led mini-boom and multinationals position themselves for European monetary union.

The guidebook looks certain to join the single currency group, if the project proceeds on schedule in little more than two years. This expectation was reinforced last month by The Hague's budget for 1997, the year on which Euro eligibility will be assessed.

Government debt levels remain out of line but are coming down, with a public borrowing requirement 4.5 per cent lower next year at F133.5bn. Mr Gerrit Zalm, finance minister, was at the same time able to cut corporate taxation by about F1bn and seek to regain specialist deal-making business recently lost to locations such as Belgium and Ireland.

Multinationals are being offered an effective tax rate of just 7 per cent on profits derived from, say, an acquisition paid for through a Dutch holding company.

The Netherlands has long attracted relatively large amounts of inward direct investment. Indeed, the stock of foreign capital employed in Dutch business represents more than a quarter of the country's gross domestic product, compared with a European Union average of about half that.

About half the total now resides in the services sector. Apart from traditional tertiary businesses such as the shipping lines which operate from Rotterdam - still the world's largest port - numerous US software houses now use the country as a base for call centres which provide customer support for users around Europe.

The country, nevertheless, experiences a large net capital outflow each year, about half of which stems from direct investment by its own internationally-minded corporate sector in search of opportunities beyond a home market of just 15.5m people. At the same time, that home market is both spending more, and being better served. Job creation, at 110,000 posts of at least 12 hours a week, this year, is improving real disposable incomes in Dutch households, even though wage rises trail behind an already modest inflation rate of barely 2 per cent.

Deregulation has this year removed most restrictions on shop opening hours, while telecommunications will be opened to full competition from mid-1997. A more rigorous government approach to competition policy aims to lower entry bar-

riers to the professions and purge price fixing agreements.

Research by the Central Planning Bureau, a state-funded forecasting unit, finds the Dutch market characterised by "a lack of financing opportunities for potential market entrants, aggressive pricing to discourage new players by companies that have incurred high fixed costs in the past, and tacit agreements among producers at the consumer's expense". This is now supposed to change.

One motive force is the presence in the three-party ruling coalition, since 1994, of the free market VVD. It has campaigned for competition and propelled a reform of the country's generous social security provisions.

"We have reached a new consensus," declares Mr Frits Bolkestein, VVD parliamentary leader. "The old one was Keynesian, where the government has to solve all problems. The new one is supply-oriented, with a market approach and financial stimuli."

Mr Bolkestein is a controversial figure in Dutch politics, the nearest thing the mainstream gets to a Euro-sceptic. In the past month, the controversy surrounding him has focused on a different issue.

It emerged that as a non-executive director of the local subsidiary of Merck, the US pharmaceutical company, he lobbied Mrs Els Borst, health minister, on licences and health service prices for its drugs.

Amid accusations that this amounted to an improper use of his parliamentary position, the affair has brought to the surface tensions in the coalition which also includes the social democratic PvdA of Mr Wim Kok, prime minister, and the reformist D66.

"If I had spoken in favour of a failing company like Fokker I would have been applauded," Mr Bolkestein notes acidly.

As talks ground on last week between the receivers of the aircraft maker and South Korea's Samsung,

they were overshadowed by a new round of job losses at the Philips electronics group, flagship of Dutch industry. While Fokker needed an outright buyer, Philips in recent months began to acknowledge that in various sectors it had to find partners operating in lower cost countries in order to stay competitive.

Fokker collapsed when Daimler-Benz of Germany, its majority owner, halted cash support. Philips is meanwhile running down Grundig, its loss-making German subsidiary. The two were among the largest cross-border industrial investments in each direction - between neighbours never entirely reconciled since the Netherlands was liberated from Nazi occupation.

While Germany takes a quarter of all Dutch exports, the German share of total inward direct investment in the Netherlands is just some 9 per cent, and Dutch outward commitments accord Germany only a similar proportion.

The question gains poignancy because of European unification. In an opinion poll this June commissioned by the University of Amsterdam and the NRC Handelsblad, the main afternoon daily, nearly two-thirds of respondents identified Germany as the country on which the Netherlands was most dependent. An equally large number wanted to retain a Dutch veto on EU decision-making; almost 90 per cent feared that integration would dilute social security; and fewer than half declared themselves supporters of a single currency.

Emu is likely to have costs as well as benefits for the Netherlands. The financial services sector, though enthusiastic, is vulnerable to a seepage of custom. Its internationally oriented industrial and commercial clients will be amenable to services offered by financial institutions based elsewhere in the euro zone, while Dutch banks and insurers may have to struggle harder to break national loyalties in other probable participant states such as Germany and France.

"I think that's true," says Mrs Saskia van Opijnen, company secretary of Fortis, the insurance and banking combine with twin headquarters in Brussels and Utrecht. She adds that "for Fortis, one can also argue that because it is not only Dutch, the freedom of services might be a great opportunity".

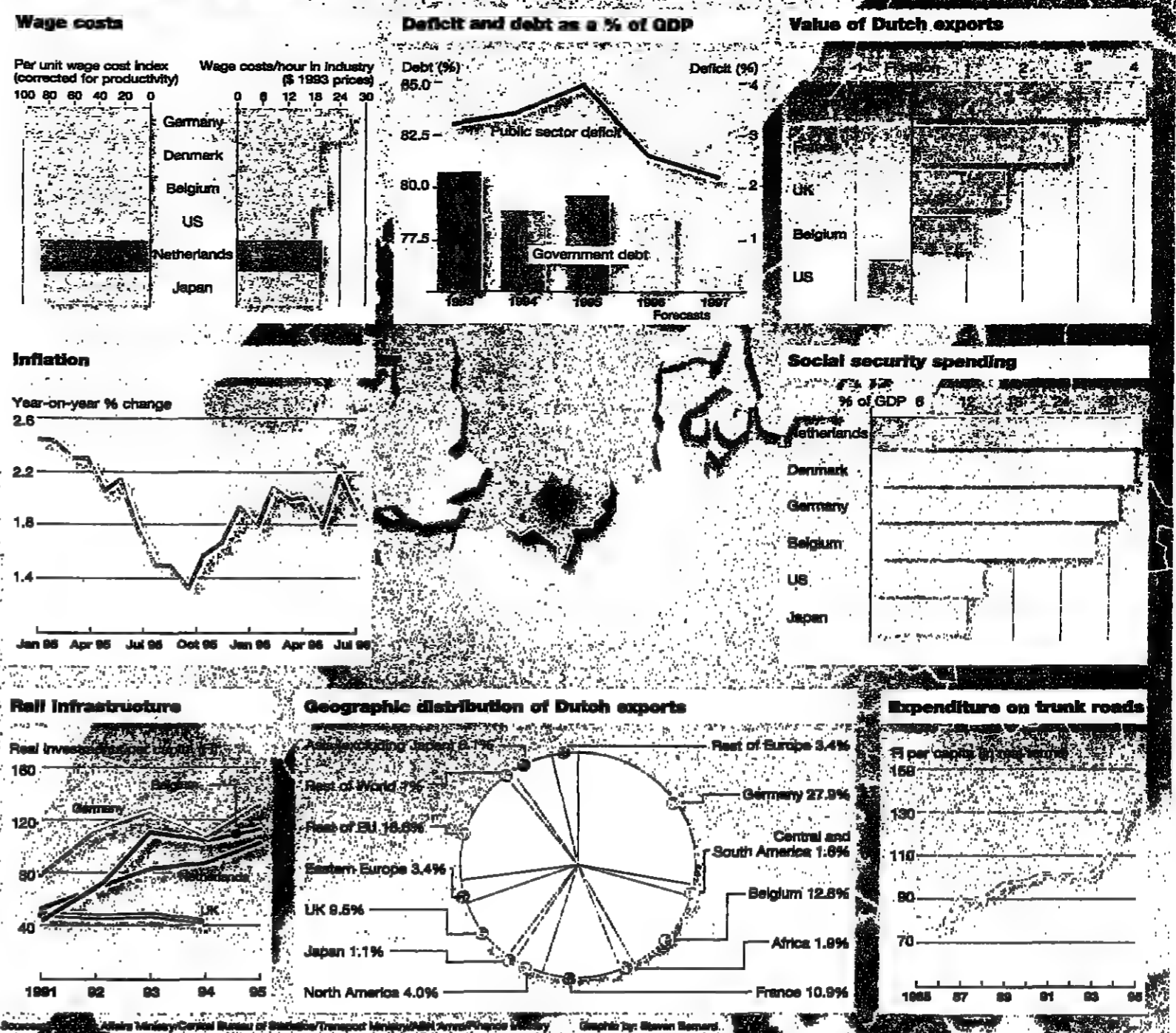
Mr Aad Jacobs, chairman of ING, the Dutch financial services group, insists: "Foreign companies will have a tough time in penetrating the Dutch market - because it is so open and very competitive." But he warns that "all companies have to lower their cost base."

The Dutch government is used to the responsibilities as well as the benefits of EU membership, but will have to work harder to explain these now that the country is a net contributor to Brussels coffers.

Premier Kok is today due to open Schiphol's World Trade Centre, an office complex at the state-run airport which represents part of its effort to secure a slot as a European "mainport". His officials are meanwhile preparing for the country again to assume the rotating EU presidency from January.

An Amsterdam summit is intended to put the finishing touches to Emu planning. The last time the Dutch were in the chair, the monetary union quest began and a small southern city called Maastricht found itself emblazoned on the modern European map.

How the Dutch economy measures up



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NORTHERN IRELAND

The only game in town

While prospects for the multi-party talks look increasingly fraught, the politicians are still at the table, writes John Murray Brown

What a difference a year can make. Less than 12 months ago, Northern Ireland was basking in the reflected glory of US President Bill Clinton's triumphant visit. The guns were still silent. Belfast was preparing for its second bumper Christmas in succession. Tourists were arriving in record numbers along with promises of new investment. Many must have believed they had seen the last of the violence that had disfigured the province for more than 25 years.

Surveying the same landscape today, it is easy to be despondent. Divisions between Protestant and Roman Catholic communities appear more bitter than ever. Disputes over the summer's marching season have seen extremists on both sides inflame sectarian hatreds.

February's massive explosion in London's Docklands signalled the end of the IRA's 16-month ceasefire. With the bomb attack on the British army headquarters at Lisburn earlier this month, the IRA shattered any lingering hopes it might be contemplating an early restoration. Road barriers are back in place in central Belfast. Soldiers again patrol the streets.

Over the summer tensions between the two communities were exacerbated by the stand-off at Drumcree where police forced protestors off the streets to allow a Protestant Orange march through a Catholic housing estate. The event has coloured subsequent developments.

Against this background, few hold out much hope for the multi-party talks at Stormont. Yet the politicians remain at the table. British ministers point out that no party has yet walked out, although they voice disappointment at the slow progress. The vexed issue of the decommissioning of terrorist arms has still to be resolved but before Christmas, London and Dublin plan to present legislation providing a limited terrorist amnesty.

No one underestimates the difficulties. Even with 18 months of ceasefire, the political nature of the dispute - rival claims of those wishing to remain within the UK and those espousing a united Ireland - remains as intractable as ever.

There are positive developments. Even in hardline republican areas, there is little taste for a return to war. Belfast's inner city is starting to reap the benefits of the government's policy of targeting social need. These areas will suffer most from a resumption of full-scale inter-communal violence.

The end of the IRA ceasefire put pressure on loyalist paramilitaries to retaliate. But their political representatives, the Progressive Unionists and Ulster Democratic party, have so far showed restraint, even expressing willingness to engage with republicans.

By contrast, the mainstream unionist parties still insist the IRA first take some of its arms out of commission. As one Catholic businessman put it: "The



Has it all gone wrong? The vexed issue of the decommissioning of terrorist arms has still to be resolved. But no party has yet walked out of the talks

Photo: montage Andrew Burn

real intransigent unionists are not in the working class estates but in the middle class golf clubs."

There are signs inward investors are prepared to take a long-term view. Only last week AVX, a US electronics company announced a \$45m expansion of its Coleraine plant. The Industrial Development Board reported a record year for investment in 1995/96, raising its jobs target for the next three years from 13,000 to 18,000. Despite a short-term blow to tourism, three new hotels are going up in Belfast.

Some sections of the business community, however, have voiced concern over the political impasse. In September, a group of industry and labour leaders took the unprecedented step of hold-

ing a meeting at Stormont with all the parties to urge upon them the need for a settlement.

The broad elements of that deal have been conceded by both traditions: a restoration of a devolved administration in exchange for an added Irish dimension through the setting up of cross-border institutional links with the Irish Republic.

The prospects for progress depend as much on events beyond Northern Ireland as at home. The US administration - critical in persuading the IRA to call its first ceasefire - has visibly cooled towards the republicans with the resumption of violence.

While the presidential election campaign is on, the Irish lobby will be hard to

ignore. Only last week, Vice-President Al Gore told an audience of Irish-American businessmen in New York that "the President and I will do all we can to encourage those who would lay down their arms and walk on the path of peace". But with the election over, Ireland may well slip down the list of priorities for a new administration.

In Ireland, too, a general election next year could change the dynamics of the peace process. John Bruton's Fine Gael-led coalition has enjoyed cross-party support on the peace process.

But if the main opposition Fianna Fail party, historically the guardian of constitutional republicanism, emerges victorious, Sinn Féin may find it has a more

sympathetic ear in Dublin.

A change of government in London is perhaps more likely. Labour has hitherto pursued a bipartisan approach. But Major's Mowlam, the shadow Northern Ireland secretary, has indicated Labour might be more flexible on the terms for Sinn Féin's admittance to talks, if the IRA were to call a new ceasefire.

Ireland, however, is unlikely to be a key issue in the British election. Prime Minister John Major has refused to let party advantage interfere with his stewardship of the peace process. But his wafer thin majority in the House of Commons, means he is wary of alienating the Unionists, who although loosely allied to the Conservatives, have recently

flirted with Labour.

The government's approach has hitherto been one of incremental gains. A pre-election surprise on Northern Ireland has been ruled out, particularly after the announcement that Sir Patrick Mayhew, the Northern Ireland secretary is not to contest his seat.

More critical could be the fall-out for the Northern Ireland parties. On the unionist side, the arrival of the small fringe loyalist parties represents a further fragmentation of the Protestant vote. As ever, David Trimble's Ulster Unionists, the province's largest party, is anxious not to be out-

flanked by the Rev Ian Paisley's hardline Democratic Unionists. As polling day approaches, prospects of a

breakthrough will recede as politicians take up entrenched positions.

Uncertainty prevails in the nationalist camp too. Sinn Féin achieved an impressive 15 per cent of the vote in the special election in May to elect delegates for the negotiations. The party could well overtake the moderate nationalist Social Democratic and Labour party, emerging as official interlocutor of the Catholic minority. This might play into the hands of moderates who espouse the political route. Whatever the response, Sinn Féin will be harder to ignore.

Prospects for the talks look increasingly fraught. But as one British official put it: "They're the only game in town".

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2 NORTHERN IRELAND



Marjorie Mowlam: a contrast with the current secretary of state

■ Labour policy: by John Kampfner

Business as usual

Labour has made clear it would not alter principles guiding the peace process

What, if anything, will change in Ulster if Labour wins the next general election in the UK? Indeed, within a year, the British and Irish governments driving the search for a new settlement for Northern Ireland may well have changed.

Labour insists that Tony Blair, as prime minister, will not deviate from the principles that have guided the Anglo-Irish process for the past decade. Since being appointed by Mr Blair as shadow Northern Ireland secretary in 1994, Marjorie Mowlam has steered Labour along a firmly bipartisan approach with the ruling Conservatives.

Strains have been felt during that time, most recently in the government's response in January to Senator George Mitchell's report on weapons decommissioning, and in the Royal Ulster Constabulary's handling of the unionist march at Drumcree in July. But, time and again, Labour has supported government legislation relating to the province, and made clear it would not exploit the issue in any vote of confidence in the Tories at Westminster.

The stance taken by Ms Mowlam is radically different to that of her predecessor, Kevin McNamara, who as shadow spokesman on Northern Ireland for seven years pursued an agenda closely allied to Irish nationalists.

The clearest distancing of Labour's past was the party's decision this year not to oppose the renewal of the Prevention of Terrorism Act, legislation that gives the Home Secretary powers to

exclude individuals from the British mainland. Twenty three Labour MPs defied orders to abstain in the vote, serving notice that a rump of the parliamentary party is opposed to the shift in Ulster policy.

The rebels are mainly left-wingers of the old order. Mr Blair, who has consistently ignored them, demonstrated his toughness last month when he warned Jeremy Corbyn he could be thrown out of the party if he hosted a book launch in the House of Commons for Gerry Adams, the Sinn Féin president. Mr Corbyn backed down.

One of the justifications given by Labour for its co-operation on Northern Ireland is that it has allowed John Major to face down the strong Unionist lobby among the Tories. Also, leaving what Ms Mowlam calls "not a cigarette paper" between opposition and government, has given it maximum manoeuvre with the Unionist parties, whose support would be crucial for any minority administration at Westminster. Unionism in recent years had virtually no influence in Labour, but that is beginning to change through the lobbying of a small group under Kate Hoey, MP for Vauxhall.

From its first day in power, a Labour government would have to pick up the reins of the multi-party negotiations in Belfast. Ms Mowlam, who is likely to retain her portfolio, has assiduously courted all the main political and business figures in the province. With her informal manner, she will provide a stark contrast with the current secretary of state, the somewhat aloof Sir Patrick Mayhew.

Curiously, the two have developed a good working relationship, with Sir Patrick allowing his senior officials to brief Ms Mowlam

and Mr Blair regularly on the political process. Recently Ms Mowlam visited the Maze prison to discuss the loyalist ceasefire with its inmates. High-level contacts with Sinn Féin were broken off after the resumption of IRA bombing last February.

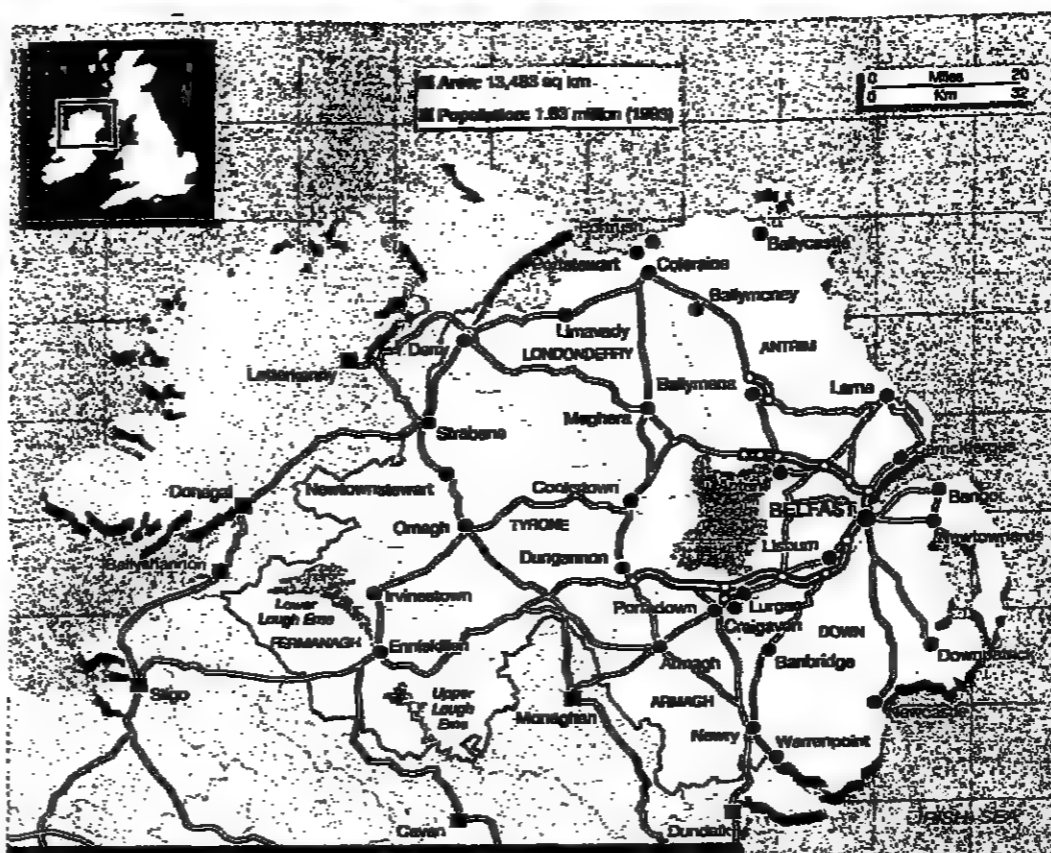
Mr Blair has made clear he will not soften conditions for Sinn Féin's entry into the talks or be less tough on terrorists. So far he has kept only a passing eye on Northern Ireland. But in his speech to the Labour conference, Mr Blair said the issue would be "as much a priority for me as for John Major". He warned loyalists and the IRA they had a duty "to take the path of peace. Honour it and you shall play your part. Fail in that duty and I swear to you the search for justice and reconciliation will carry on without you".

While maintaining the current approach on the talks, Labour insists it will differ from the present on a number of day-to-day issues. It will introduce reforms of policing, put a greater emphasis on fair employment, and pursue plans for an independent commission to arbitrate on sectarian marches.

Labour will also support more vigorously partnership projects established by the European Commission, bringing with them a large influx of EU regional aid. It will incorporate into law the European convention on human rights, and a freedom of information act, with ramifications for the province, as well as a bill of rights specific to Northern Ireland.

But, as Ms Mowlam points out, consent of majority Protestants in Ulster and minority Catholics will ensure that neither a united Ireland nor the status quo will remain viable.

The search for a new political arrangement will continue with at least as much vigour under Labour as the Tories.



Chronology of the past two years

- Dec 16 1993: British Prime Minister John Major and Irish counterpart Albert Reynolds unveil the Downing Street Declaration which seeks to end peace in Northern Ireland.
- Sept 1 1994: Irish Republican Army announces ceasefire.
- Oct 14: Pro-Union 'loyalist' guerrillas start truce.
- Dec 8: British government officials hold first public meeting with Sinn Féin, political wing of IRA, in 22 years.
- May 10 1995: Britain ends 20-year ban on ministerial talks with Sinn Féin. The two sides meet to review how to move peace.
- June 18: Sinn Féin formally breaks off exploratory peace talks with Britain, angered at British attitude to IRA arms.
- Nov 30: US President Bill Clinton visits Belfast and Londonderry.

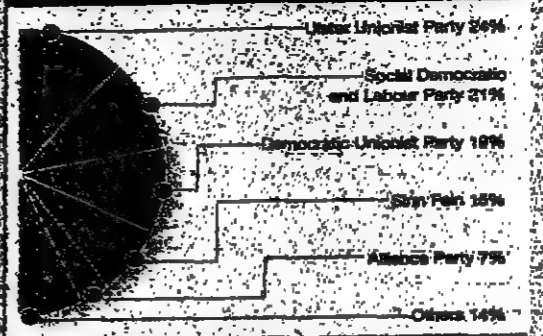
- Jan 24 1995: The Mitchell commission proposes all-party talks alongside a phased surrender of guerrilla weapons. Major proposes elections in Northern Ireland to pave way for talks.
- Feb 8: An IRA statement says it is abandoning the ceasefire. A bomb blast in the Docklands in the east London area injures 100 people and kills two.
- Feb 28: Major and Clinton resume peace process and announce June 10 date for all-party negotiations. They say Sinn Féin will remain outside unless the IRA ceasefire is reinstated.
- May 30: Elections in Northern Ireland for Peace Talks Forum, to run alongside all-party peace talks, see Sinn Féin take 15 per cent of the vote.
- June 10: Multi-party talks on the future of Northern Ireland begin in Belfast, but Sinn Féin is excluded.

Economic summary

	Northern Ireland	UK
Total GDP (1995)	14,773	9,974
GDP per head (£1995)	8,085	9,768
Average gross weekly earnings (£1995)	264	302
Average dwelling price (£'000)	42.5	53.2
Total R&D expenditure (£'000)	171	12,000
Net capital expenditure (£m, 1995)	215	12,000
Unemployment rate (%)	11.5	7.5
R&D performed within business (%)	54	54
Manufacturing output (1995)	10.5	1.8
Agriculture	35.5	32.3
Services	54.0	65.0
Direct employment (1995)	17	420
Manufacturing	17	412
Non-manufacturing	2	8
UK residents	182	15,425
Overseas residents	50	6,820

* 1994, * less continental shelf and statistical discrepancy
 * 1992, * 1995, * ILO definition, * 1993 for Ireland, 1994 for UK
 * All industries and services, except agriculture
 * % of regional GDP

Share of the vote



■ Multi-party talks: by John Kampfner

Players still at the table

Despite serious set-backs, no one has yet dared to pull the plug on the peace process

They could not have started less auspiciously. The multi-party negotiations on Northern Ireland, the holy grail for the British and Irish governments and for several of the political parties, almost collapsed the day they began on June 10.

Ten parties were to gather at a nondescript government building on the edge of the forbidding Stormont estate east of Belfast. They had received their mandate at elections on May 30.

In the preceding years, London and Dublin had held out the talks as the final stage in determining a new arrangement for Ulster. They were to enshrine a new era of democratic politics, with politicians eschewing the demagoguery that had characterised many of their approaches. It was not to be. The first day was dogged by the arrival of a Sinn Féin

cavalcade demanding to be let in. The party had been refused entry to the talks because of the IRA's refusal to restore the ceasefire it broke by setting off a bomb in London in February. Inside, the building, the main players were exchanging insults in the corridors. The Unionists said they would obstruct the process at each step unless they got their way.

Their first objection was the appointment of former Senator George Mitchell, President Bill Clinton's envoy to the province, whose report on the issue of paramilitary decommissioning had been largely well received in January. Mr Mitchell's problem was that he was American. Unionists, arguing he was inherently biased, called for him to be removed. One official recalls that Mr Mitchell and his Canadian and Finnish deputies, John de Chastelain and Harri Holkeri, were on the point of packing their bags.

They didn't, and the talks ground into action. It took British ministers several days to persuade the main

unionist party, the Ulster Unionists, to give Mr Mitchell a chance. The other two more recalcitrant groups, the Rev Ian Paisley's DUP and Robert McCartney's UKUP, dropped their threat of a boycott - but only after a long struggle.

Officials clung to every minute sign of progress. Mr Mitchell's aim was to avert a walk-out by any of the main players, which would have led to a collapse in the talks and raised prospects of a descent into all-out violence. Each IRA terrorist attack during the talks made his task more desperate.

On July 29, a small but significant breakthrough occurred. David Trimble of the Ulster Unionists and John Hume of the SDLP settled on the outlines of the way ahead. They agreed on the definition of the consensus for progress. This involved the two governments, a majority of the parties at the table, and a majority of both the minority nationalist and majority Unionist communities. The DUP and UKUP, backed by smaller moderate groups,

could achieve that. The onus would be on the hardline DUP and UKUP to join them. After a long summer break - peppered with the crisis over sectarian marches - the negotiators returned. Few hopes were invested, as the parties had yet to agree an agenda for the opening of the talks.

However, even that hurdle was overcome in early October. For the first time, the international arbiters allowed themselves a modicum of confidence. The vexed issue of the decommissioning of paramilitary weapons was to be addressed. Any group linked to terrorist organisations - the loyalists and Sinn Féin - would have to agree to some form of hand-over before the negotiations concluded - a hypothetical stipulation as each IRA bomb appeared to harden terms for Sinn Féin's entry into the talks.

After discussing the broad outlines of decommissioning, the talks are due to divide into three sub-sections, laid down by the two governments in their joint framework documents in February

1996. The first "strand" involves new internal arrangements for the province, including some form of assembly; the second, and the most controversial, sets out cross-border co-operation between Ulster and the Irish Republic; the third relates to relations between London and Dublin. Mr Mitchell hopes they could be running by the start of 1997.

The bottom line will be the politicians' commitment to making compromises needed to move the process forward. All must look over their shoulders. Mr Trimble has taken a risk in making overtures to moderate nationalists. Mr Hume has antagonised some in his community by accepting Sinn Féin's political isolation.

Much will depend on Mr Paisley and Mr McCartney, who are vying to outperform each other according to the traditional Unionist doctrine of seeing any concession as tantamount to heresy. Much of it is posturing. A point that could have been made in a few minutes has often taken three hours of hectoring. Yet all the permitted participants are still there. For all the problems, no-one has yet dared to pull the plug on the process.

■ Economy: by John Murray Brown

Success for the fleet of foot

In a climate where confidence is elusive, the ability of business to adapt is crucial

Confidence is an elusive business attribute, and nowhere more so than in Northern Ireland. A survey by accountants Coopers & Lybrand earlier this month suggested 80 per cent of businesses are concerned that the political instability could affect their trading performance, with less than 40 per cent forecasting an improvement in the economy. Such lack of certainty does little to help business, although local companies are notoriously resilient.

Take this year's Smart awards, the DTT's national campaign to support innovation by young companies. Radiocontact, a small electronics company in Castlereagh had been a winner on two earlier occasions during the "Troubles", with its proprietary alarm systems for the security services industry.

With the ceasefires, interest from the Ministry of Defence dried up. Plans to install the product at Belfast's Aldergrove airport were put on hold. As a result the company was forced to look more at civilian applications of its technologies - winning again this time with an integrated circuit for use with video on demand systems in hotels.

Such adaptability is vital for the small and medium sized enterprise sector, which is the driving force of the economy, accounting for 70 per cent of business activity. Innovation has been one

of Northern Ireland's main assets. The problem traditionally has been persuading locals to stay in the province.

Peter Keeling, another winner of the Smart Award, like many fellow Ulstermen, seized on the improved political environment following the ceasefires to return to Northern Ireland with his family.

He gave up a job at the drugs company Wellcome, to start Molecules To Market - a small research-based operation in the nationalist Andersontown area of west Belfast, making an easy use diagnostic kit for managed care centres.

Like many small businessmen, he is worried about the future. "The uncertainty is an everyday management problem for us, but it's a real problem for our customers. The one concern is can we attract investors to Northern Ireland?"

The Industrial Development Board suggests there is little immediate correlation between political developments and the investment decisions of foreign companies.

The province attracted 10 new investments in 1995-96 compared with 17 in the previous two years. The number of jobs created, either by new or existing inward investors, rose from 3,141 to 4,869 in 1995-96. Manufacturing employment is now back up to levels of the early 1990s, reversing a downward trend in the UK as a whole.

Indeed, the province won 9 per cent of all new jobs promoted in the UK in the period 1994-95.

Cooper & Lybrand suggests that the IDB may be failing to get its message

across.

Their survey shows that the experience of doing business in Northern Ireland, in terms of the costs and the quality of the infrastructure, is in practice much better than companies anticipate when they first arrive in the province.

For the short term, the economic outlook remains robust. Consumer demand is

rising, fuelled by rising disposable income, and lower mortgage costs.

New private house starts rose by 4 per cent last year and this growth was carried through to the first quarter of the current year, when new starts were 20 per cent higher than the similar period in 1995.

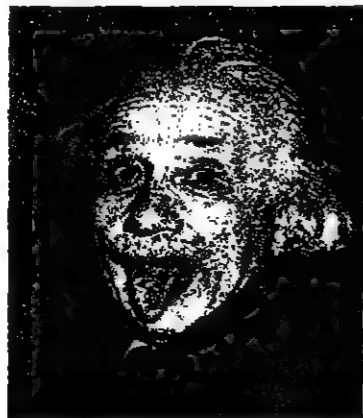
Bank lending is increasing. The Bank of Ireland

reports a fourfold increase in corporate activity as Northern Ireland firms start to take advantage of the increased international interest in the province.

Hambro Northern Ireland Venture Managers has just completed its second deal under a £12m venture capital fund, part financed by the European Union.

Continued on page 4

EVERYTHING IS RELATIVE



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Hard times: farmers at the Salfield livestock sales yard, County Down

■ Agriculture: by Michael Drake

Putting on a brave face

The past six months have left the province's farmers down – but not out

If you are a sheep farmer, a pig producer or a poultry processor in Northern Ireland you may have good reason to smile. But for those involved in red meat production it is a different story. For them, the past six months, which have seen the European Union ban UK beef exports and call for the phased cull of British herds, have been a sort of hell.

Northern Ireland's farmers are the backbone of the province's economy. Farming is by far the largest industry, employing about 60,000 people out of a total workforce of 780,000. Total income from farming, which measures the return to farmers and all members of their families working on farms, last year amounted to about £340m – 8 per cent up on 1994.

The beef sector, which represents 12 per cent of the entire UK herd, accounts for two thirds of gross farm output. Unlike the rest of the UK, which consumes all but a fraction of its production, the province relies on exports for 80 per cent of output. Northern Ireland is thus uniquely vulnerable to the crisis.

First Trust Bank estimates the lost revenues resulting from the enforced cull at about £100m. The knock-on effects could be considerable: investment in plant and machinery is slowing down; cattle haulage companies are feeling the pinch.

Cattle prices are down 25 per cent on this time last year and some farmers report losses of £150 to £200 an animal on the livestock they have managed to sell.

While a year ago farmers were receiving 238p a kilogram for top-quality steers, they now have to be content with a return of about 186p a kg. Those who depended on the normally lucrative suckler autumn calf market have had to bite the bullet and take prices that are on average £100 lower.

Without the safety net of the European Union's system of intervention prices, producers would undoubtedly have gone to the wall.

Even at the gloomiest times, however, there are some who remain optimistic.

"If we can get a certified herd scheme in place and if we are allowed to meet the timetable for the cull of animals, we can get the market open again into Europe," says Greer McCollum, the beef farmer who heads the Ulster Farmers Union.

"That would provide some stability but we would have to accept lower prices than those we were receiving before the BSE bombshell," he says.

Least affected have probably been the farms that have diversified. Sheep prices are much higher than at this

time last year, thanks to an increased demand for lambs. White meat producers such as pig farmers and chicken processors have benefited as consumers switch from beef.

Government aid in recent months is another factor in farmers' favour. Of the £30m allocated to the UK slaughtering industry, £3.7m has gone to the aid of Ulster farmers with another £10m or so helping rearers process animal waste at the

small 2 per cent drop on last year.

Unlike other parts of the UK where many farms are held under tenancy agreements almost 60 per cent of farms in Northern Ireland are family owned or, in a few cases, subject to long-term leases.

The sector has been in slow decline for some years. While there may still be more sheep than people in Northern Ireland, the province's flock dropped by 2 per cent to 2.5m in 1994. The pig sector has seen a consolidation.

The number of holdings is now about 60 per cent of the levels in 1981. Over the same four-year period the average size of pig herd rose by 38 per cent.

Contraction is equally evident in the arable sector, with 20 per cent fewer farms now growing cereals. Similarly, the number of potato holdings is now one third lower than four years ago at 1,800. The dairy herd too has shrunk by 1 per cent to 271,500. Ironically, only the beef herd has managed to maintain its numbers, standing at 278,000 head.

With farm values in many cases exceeding £3,500 an acre, many landowners would be considered millionaires, were it not for heavy burdens of debt to banks and other lending agencies.

Few would want to sell. But before the BSE crisis is over some may well have to leave the land they inherited from their fathers.

It is too early to anticipate structural changes in the industry as a result of the mad cow crisis

rates that prevailed before the crisis.

Support under a marketing scheme has provided the province's farmers with £4.6m, while another £16.3m has been paid in supplements to the Beef Special Premium and Suckler Cow Premium Schemes. Others have benefited to the tune of £12m under the Hill Livestock Compensatory Allowance scheme.

It is too early to anticipate structural changes in the industry as a result of the mad cow crisis. The number of active farms – at just under 28,000 – represents a

boasted the world's largest rope-making factory and one of the largest shipyards, while Northern Ireland was the heart of the UK linen industry. The area has long since been abandoned by traditional industry. Today, like many old European cities, Belfast is striving to reinvent itself.

Under an order in council in 1989 establishing it as an urban development agency, Lagan-side was designated 140 acres abutting a tidal river, comprising sites ranging from disused docklands to the redundant and contaminated area of the old city gas works. "I remember when it was an open air cattle market," says Mr Hopkins of the area where the Hilton Group is building a £29m 180-room luxury hotel.

The locations are now owned either by Belfast City Council, the Harbour Commissioners, or the Corpora-

tion itself. To date, the scheme has been supported by £70m in grants from the Treasury or under European funding programmes. In such blighted surroundings, there was an official recognition that the project would be infrastructure-led, as the authorities cleared the site before marketing the investment.

But as the physical infrastructure improves, the planners are turning their minds not just to the commercial exploitation of the site but to local community regeneration through residential housing schemes and the integration of the area with the city centre.

In its annual report for 1995-96, the Duke of Abercorn says the highlight of the year was the "demand and subsequent increase in the value of waterfront housing" – all of which will help to breathe life back into the area.

When the project was launched, one of the first tasks was the construction of a weir across the Lagan. The weir, which cost £14m, was designed to regulate the tides, avoiding flooding in winter and the summer dry spells which affected water quality. It also meant the unsightly mudflats became a thing of the past. "There used to be a time when you could race at high tide, but then when the tide went out, there was only room for one boat," says Mr Hopkins.

Sewerage pollution on the river was also a hazard, with the system overflowing into storm drains during bad weather. Today the corporation has introduced a method of screening the sewage outfalls. The long-term plan is to improve the city's entire sewage system.

The water probably would still not be clean enough for swimming but already salmon have been caught

above the weir. The corporation dredged 100,000 tonnes of silt, creating a potential recreational area 4.5km long. Oarsmen were delighted. The Lagan Lookout group now conducts tours for school children and others around what was once one of the city's blackspots.

George Mackey, Lagan-side's chief executive estimates there is an opportunity for £500m of private sector investment, and "the potential for much more in the future".

The first big break occurred when Ewart, the main developer, agreed terms with the Hilton group. The hotel, due to open in the summer of 1998, is also to receive a £7m brock, the leisure group which owns Hilton's operations in the UK, has underlined its confidence in the project by taking a large equity stake in the development. Typically Hilton's interest would be by way of a management contract, says Mr Hopkins. Also on Lanyon Place is BT which is leasing 150,000 sq ft of office space in which to relocate all its Northern Ireland operations.

At the other sites, the Clarendon Docks reports record office lettings. Clients include the Northern Ireland Council for Curriculum Examinations and Assessment which is locating a 50,000 sq ft centre. Earlier this year, the city council was awarded £3m by the National Lottery for the restoration of the 19th century St George's Market, one of the UK's largest fruit markets under a single roof.

The showpiece is the Waterfront Hall, a 2,235 seat concert and conference centre. Belfast City Council, the £30m facility's owner, plans to open it in the new year with a concert programme headed by James Galway, the Ulster-born flautist.

PROFILE Monika Wulf-Mathies

Europe's healing hand

EU funding, according to the commissioner, has a crucial role to play

Monika Wulf-Mathies, Commissioner for regional policy, clearly believes Europe can make a difference in Northern Ireland.

The former German trade union official, entrusted with distributing a total regional aid budget of Ecu150bn (£122.40bn), is particularly proud of the Ecu300m earmarked for Northern Ireland's Peace and Reconciliation Initiative.

"This is what the European Union is all about, helping to heal differences and bring communities together," she says. "I think we can draw lessons from this for the use of funding in other areas."

The objective of the programme, which was agreed at the Essen summit in late 1994, was to underpin the paramilitary ceasefires by supporting groups directly affected by the "troubles" – both the victims and the perpetrators of violence.

The money, to be disbursed over three years, is being given to projects on both sides of the border, 20 per cent to the six border counties of the Irish Republic which were deemed also to have suffered, while 15 per cent of the total funding is for cross-border projects.

The project has had its teething problems. When the IRA bombed Canary Wharf in February, signalling the end of its ceasefire, Mrs Wulf-Mathies was quick to announce that the funding would continue unaffected.

Only this month, the European Parliament's

budget committee had voted to cut the programme because of the slow take up of the money by the local organisations.

The Commissioner, clearly incensed at the damage such a decision would have had on the EU's standing in the province, accused the parliament of a "lack of solidarity" with those communities who suffered the most.

"It sent the wrong political message and put at risk the links we're establishing across the divide," she said. "If you want to get people involved they need to have a clear perspective of what is happening." However, the decision was reversed by a full plenary of the parliament on October 24.

Past disagreement between the Commission and the British government over EU funding had emerged, with the Commission accusing London of using EU monies merely to top up, or worse still replace, existing national programmes.

"We had some problems in the past. But we're happy the British government is committed to making this money additional to existing programmes," says the Commissioner.

British officials were at first a little wary of the programme. The government, which under normal EU arrangements is held responsible if a project goes wrong, wanted to be able to monitor the programme. A compromise was agreed whereby the government would be a co-signatory of the funding.

At a special conference in Belfast in early 1995, the Commissioner turned a few more heads with her proposal part of the money could go to ex-paramilitary prisoners. She said she wanted to see the funds promote what she called "social inclusion". In



Monika Wulf-Mathies: 'I think we can draw lessons from this for the use of funding in other areas'

response, the British government quickly announced it was dropping its "vetting" of community groups – used in the past to stop government funds being diverted to the paramilitaries.

The programme was unique in other respects. Decisions on how to disburse the money were only made after a lengthy consultative process with local groups – another reason for delays.

In a further bid to win over local communities, Brussels commissioned its own study of the deprived areas to establish those in most need.

To get the money to those most affected, the Commissioner decided that only part of the money would be distributed through government bodies. Instead, local organisations would be directly targeted, either through so-called "intermediary bodies" such as the Northern Ireland Voluntary Trust, one of the largest recipients. In addition, new "area based partnerships" involving the

28 local councils, business and the voluntary sector, would be invited to submit project ideas.

There have been delays, particularly in agreeing the formation of the new partnerships which are intended to be cross community. According to Commission figures, only Ecu34m has so far been disbursed of the total EU contribution of Ecu300m – the balance being matching funds from the two governments. But Mrs Wulf-Mathies confidently predicts that about Ecu100m will be spent in 1996 and a further Ecu180m in 1997.

Earlier this month, the Commissioner was in typically enthusiastic mood, announcing funding for a further 200 projects, including a childcare project in Strabane in the west of the province, one of the worst poverty blackspots and a staunchly republican area.

John Murray Brown

■ Lagan-side: by John Murray Brown

The second act begins

The corporation's new chairman is expected to focus on investment and job creation

Lagan-side Corporation is to have a new chairman, Tony Hopkins, senior partner of Deloitte & Touche Northern Ireland, is to succeed the Duke of Abercorn as the head of Belfast's £130m riverside development project.

The appointment, expected to be announced in the next few days, opens a new chapter in the story of the regeneration of Belfast's inner city. If the Duke of Abercorn was the catalyst in winning government backing during the project's formative years, Mr Hopkins sees his main task as promoting private sector investment and bringing jobs to the area.

Belfast's docklands once

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4 NORTHERN IRELAND

■ **Armagh:** by Joris Minne

Across the religious divide

Co-operation between churches has helped the city stay aloof from the troubles

When Bishop Sean Brady takes over the helm of the Roman Catholic Church in Ireland from Cardinal Cahal Daly later this year, he will be the latest in a line which goes back some 1,500 years to St Patrick himself.

Ireland's patron saint has a special place in the country's identity. The church he founded in the city of Armagh is now the ecclesiastical capital of Ireland.

Each March, across the world an estimated 40m of the Irish diaspora remember the holy man, who banished snakes from the island, reinforcing their own identity in much the same way as the British Royal family does for the British state.

While American Irish tend to fete St Patrick with green beer and colourful city centre parades, home grown Irish revere him with more

solemnity marking the saint's day on March 17 with masses, services and visits to the graves of deceased cardinals.

Whatever way he is remembered he is almost certainly the world's best known Irishman.

Armagh is just 40 minutes drive south west of Belfast - the department of environment alerts the errant driver with large road signs depicting in silhouette the twin spires of the aptly named "Cathedral City".

On the drumlin hills of this elegant Georgian town, the Roman Catholic and the Church of Ireland cathedrals tower over the pink stone streets. Both are named after St Patrick, which confuses tourists a little. They normally end up visiting both churches and in so doing cross the religious divide.

Cardinal Brady and his Church of Ireland counterpart Bishop Robin Eames are not alone. Baptists, Presbyterians and Methodists all have meeting halls and places of worship in the city. Even the Reverend Ian Pais-



"Cathedral City": Armagh's two churches are named after St Patrick, which confuses tourists who normally end up visiting them both

ley, MP who heads his own Free Presbyterian congregation, has established a church in the town.

Thanks in large part to the co-operation between these various church organisations, Armagh has survived much of the turbulence of Northern Ireland's recent history.

To some extent the leaders of today's churches are following St Patrick in showing acute political acumen. Mr Paisley may have claimed Patrick as a "Brit" but the saint himself was more sensitive to local tradition when

he established his church in the year 450.

By the time he arrived, Armagh was the heart of an old and declining Celtic empire populated by princes, queens, warriors and druids - a sort of Ulster Camelot. By one account, St Patrick was given the land to build his church after he resuscitated the local chieftain's dying horse.

Today, the city has developed alternative attractions. The Royal Irish Fusiliers have their regimental museum in the town. Navan Fort, the site of the ancient

capital of Ulster has also been restored.

The town was the one of principal sites of the Irish scientific enlightenment, with the Armagh Observatory built in 1790, by the then Church of Ireland primate Richard Robinson. Today the city boasts the only planetarium outside London's Baker Street.

But the main draw for the tourist is the city's connection with St Patrick. The surrounding countryside is dotted with landmarks commemorating events in the saint's life.

Near Eady, 10 miles south of the city is a hill called St Patrick's Chair, where he is said to have rested from the weary work of converting proud Celts into meek Christians.

Many would have been baptised at the nearby St Patrick's Well at Mullacreevy, on the outskirts of the town. Here St Patrick is said to have fallen asleep, dreaming that an angel told him that his church was to be the centre of Christianity in all of Ireland.

Patrick was not the only man attracted to this site. In

earlier times, the well, and the raglin tree nearby was a focus for pagan worship.

Today people in Armagh still remember the tradition of tying rags to the tree, in the belief that this was the way that wishes and dreams would be realised. Such is the continuing potency of the site to local people that plans to build a housing development had to be altered to preserve the tree.

In Blackwaterstown, five miles from the city in the middle of County Armagh, St Patrick's has left a rather different legacy. Driving

through this lush farmland, famous for its apple orchards, you enter the village from the west past the church of St Jarlath.

Seamus Hegarty, the village news agent and local historian says: "We know it as Clonfad. Feacle is the Irish word for a tooth." The story goes that St Patrick was picknicking in the nearby field when he bit into a piece of bread and lost a tooth. Locals say the holy molar is still there somewhere and anyone who finds it stands a good chance of sainthood himself.

PROFILE John McGuckian

An enterprise veteran

The image of Northern Ireland as a world of government quangos, run by mandarins appointed comes a unistack when you meet John B. McGuckian. A former North Antrim pig farmer, and a Roman Catholic, his career reads like a Who's Who of Northern Ireland enterprise.

Mr McGuckian has seen, and lived through, even prospered, during the worst of the 25 years of terrorist violence. As a result, he has an almost unrivalled business perspective on the province.

"This place is light years ahead of where it was five years ago, 10 years ago. You can't imagine the murder and mayhem of those

years," he says, in his blunt Ulster brogue.

He is best known outside the province as chairman of the Industrial Development Board, although he has interests in textiles, is on the board of Allied Irish Banks, is chairman of Ulster Television, the local ITV franchise and has a string of public service appointments.

This week the IDB published its annual report for 1995-96. The results underscore the big rise in job creation by foreign investors, much of the growth coming from those already in the province.

The year has not been without upsets, however.

BeneLux, the troubled Hong Kong-based audio cassette component manufacturer was forced to shut down its Limsavay plant in September. Mr McGuckian argues that even in the private sector, things can go wrong. "We're not buccaners," he says. "We have to be practical but even in the private sector, 20 per cent of all capital investment is wasted."

Some local economists have argued that it is the job of government to support projects of greater risk than those the private sector would be prepared to back. However, Mr McGuckian points out that any foreign investor coming to Northern Ireland has to

convince the IDB it is "mobile" and that its business would be viable even without the government grants.

On this point, he is bitter about the demise of the deal with Hualon, the Taiwanese textile company, whose planned textile plant would have been the largest ever investment in Northern Ireland but is the subject of a challenge in the European Court.

Mr McGuckian describes as "vindictive" the lobbying by the British textile industry against the investment. Manufacturers claim the Hualon project represents unfair competition.

John Murray Brown

■ **Tele-services:** by John Murray Brown

Engaged in a new line of business

With some success, the IDB is targeting call centres as an area of rapid growth

If you have ever had reason to ring British Telecommunications' 180 or 181 London freephone service, you know the sweet burr of a county Fermanagh accent.

For the garrison town of Enniskillen in the heart of Northern Ireland's "Lake-land" is now the location from which BT provides customer services and fault reporting for the whole of the London area.

This is just one example of the remote location of call centres made possible by changes in information technology.

The shift in work patterns is particularly marked in rural areas - one of BT's employees for example travels to work by boat. But the changes are equally likely in urban settings.

Across Europe an estimated 6,000 companies operate call centres. These already employ about 130,000 people and are expected to create another 100,000 jobs by the year 2000 according to a Green Paper published by the European Commission last month.

The Republic of Ireland is the fastest growing area for call centres, but the UK has 4,000, earning revenues of £245m (£367.20m) in 1996, according to Commission figures. Northern Ireland is targeting these tele-based services as a potential growth area - and with some success.

According to the Industrial Development Board, the government's investment authority, 1,530 people are employed in private sector call centres as well as a further 1,630 in the public sector, offering UK-wide or pan-European services in everything from airline bookings and computer support to direct banking.

The IDB is co-operating with BT, through investment in new technology and

the provision of low tariffs in a bid to attract call centres to the province. The company employs 550 people in centres in Enniskillen, Londonderry and Belfast servicing customers primarily in Britain.

Celnet, British Airways, Royal Mail, Prudential Assurance and Abbey National are some of the larger companies involved, along with government departments such as the Customs and Excise, the Inland Revenue, the Passport Office, and the Child Support Agency.

"There is no reason why Belfast cannot quadruple the number of jobs in remote IT," says Tony Hopkins, the incoming chairman of the Leganside Corporation, the agency in charge of the regeneration of Belfast's riverside.

The IDB offers incentives, including grants of up to 50 per cent of the cost of buildings and telecommunications infrastructure. Employment grants are also available to help cover the heavy staffing overheads that are involved in such a labour intensive operation.

Over the past five years, BT has invested some £176m in establishing high bandwidth links to Great Britain and the Republic of Ireland and the installation of a fibre optic cable network.

The company now claims to offer one of the most competitive call centre packages in Europe, naming among its advantages a flexible discount structure calculated on call volumes for incoming and outgoing calls; up to two international freephone numbers per country free of rental charges from a current choice of 46 countries; and special rates for long-term contracts with up to 25 per cent discounts on the base rates for relevant countries on freephone services.

With some predicting the advent of the "cashless society", Northern Ireland seems well placed to take advantage of the changes.

Bruce Robinson, chief executive of the IDB says



Remote working: companies involved include Celnet, British Airways, Royal Mail, Prudential Assurance and Abbey National

call centres are one of the fastest growing sectors. Dr Ivor McCaw, manager of BT's Belfast engineering centre says BT's local operation has already helped pioneer major new product innovations such as BT's per-second pricing of phone calls.

One of the more recent

One of the more recent arrivals to the province is Stream International

arrivals to Northern Ireland is Stream International, which has established its European headquarters in Londonderry. Stream was formed as a merger between Corporate Software and a subsidiary of RR Donnelly of Chicago, and is now the world's largest supplier of telephone based technical support for the computer software industry, with annual sales of some £1.6bn.

The company made, and distributed, software and technical manuals for Microsoft's Windows 95 program. In all, the company has 2,500 specialists handling 12m support calls in the European Union and the US.

Paul Kavanagh, president of Stream's international operations in Europe, the Middle East and Africa says the availability of high-quality, low-cost labour was a key attraction. The company wanted applicants with a good working knowledge of Dos and Windows programs. Those with a university or college degree were preferred.

Sean McGarry, of the Training and Employment Agency says Stream had little difficulty filling the 500 places. One reason, he says, is that Northern Ireland is now spending more of its educational budget on computer training than any other UK region.

Stream was able to hire its first 30 customer support representatives within one week of making the decision to come to the province.

Says Mr Kavanagh: "We interviewed them on a Wednesday and by Sunday evening our first 30 employees boarded a plane to London for company training."

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Confidence elusive

Continued from page 2

"The ceasefire opened up the province as a sort of emerging market for institutional investors and our fund has been able to exploit that opportunity," says Colin Walsh, who runs the fund.

From a low starting point, industrial production has risen 13 per cent in the five years to 1995, compared with 5.9 per cent in the UK and 3.6 per cent in the European Union.

As a result Northern Ireland productivity rates

are closing the gap on the UK.

Unemployment is falling, although at 11.2 per cent of the workforce, it is still one of the worst rates of any region in the UK. Male unemployment is at 14.7 per cent. More encouraging, the level of unfilled vacancies has fallen over the past two quarters.

The government is also starting to have some success in targeting the areas of highest social need, through use of selective financial assistance. Of the

10 new investments, seven are located in economically deprived areas including west Belfast, Enniskillen and Cookstown.

Last year, in its economic strategy document for west Belfast, Sinn Féin, the IRA's political wing, actually commended the government for its attempts to target areas of social need.

But it also warned the loss of jobs resulting from the threatened closure of the Royal Victoria Hospital in west Belfast, and the scrapping of the Assisted Commu-

nity Employment scheme will all but wipe out the gains made by these "progressive" investment policies.

With the resumption of the IRA's bombing campaign, the squeeze on public resources will be even more acute, as the government reallocates the health and education budgets to meet the increased security needs.

As before, the economic fall out from the violence will be hardest felt in those areas most dependent on the state.

■ The economy: by Gordon Cramb

Emu targets pose very few problems

Government debt is the only Emu criterion which the Netherlands fails to meet

The Dutch version of the current Ikea stores group catalogue guarantees its prices until August 1997. Consumers looking for a home to fill with such wares can get a mortgage from ABN Amro fixed for 17 years at a modest 7.7 per cent annual interest. Inflation holds few fears for those doing business in the Netherlands.

It is one of the criteria for participation in European monetary union which the country has found easiest to meet. One or two others have been more troublesome, but the reaction among analysts to the government's annual budget unveiled last month was unanimous in deducing that the guilder will be among the founder members of the single currency zone.

The government deficit is to be brought down to 2.2 per cent of gross domestic product next year, well inside the Emu target ceiling of 3 per cent. In 1995, the deficit ratio still breached those limits at 4 per cent, but the outlook for this year is projected at 2.6 per cent.

The only measure on which the Netherlands still fails to qualify is government debt. Mr Gerrit Zalm, finance minister, forecast this to emerge in 1997 at the year on which Emu eligibility will be assessed - at 72.2 per cent of GDP. This would still be way above the notional 60 per cent maximum embodied in the Maastricht rules on monetary union.

But The Hague is hoping

that progress from the 79.7 per cent recorded last year will be sufficient to establish the "clear downward trend" required as a fallback position for countries which otherwise fit the bill.

Even so, to achieve the reduction the government had to resort to some debt-financing engineering. Mechanisms such as moving funds around in the state's accounts with the central bank brought nearly half the cut in debt from an expected 78.8 per cent this year. The rest came from economic growth itself as well as cuts in government spending and official subsidies, increased public sector efficiency, and a move into surplus on state social insurance funds.

GDP growth is on course to reach 2.5 per cent this year and 2.75 per cent in 1997. That is in spite of a less steady growth pattern in Germany, which takes a quarter of all Dutch exports and whose meezes have in the past given its neighbour regular cause to blame for its colds. This time, as Dutch growth outpaces that of Germany for a fourth successive year, there is barely a snuffle.

In any event, the Netherlands' exposure to the German market is muted by the preponderance of agricultural produce in the export package it ships across its eastern border. Germans will always eat.

Worse, though, is when a slowdown in Germany coincides with a dull patch for world trade in general. So by the same token, the internationally geared Dutch business sector is well placed to reap the benefits of the increased activity forecast by the World Trade Organisation as the Geneva regime achieves a lowering of tariffs and other barriers over the

next few years.

But for now, the economy is being supported by strong domestic trading patterns. In retail sales, for example, the year-on-year increase touched 7.1 per cent in August - consumer price rises are at the same time being contained to an annual 2 per cent.

Overall household spending is being given an apparently structural boost from a rise in employment - by one forecast, the 300,000 new jobs of at least 12 hours a week being created between 1995 and 1997 will expand labour demand by 5.4 per cent.

The Netherlands is gradually making up lost ground in a number of areas, says Mr Nico Klene, ABN Amro economist. This year, for the first time in decades, the total number receiving state benefits will show a decline, he notes. "The central government financing deficit, the public sector expenditure rate and the tax and premium burden have all returned to mid-1970s levels."

That was when the country's bountiful welfare system began to inflict macroeconomic scars. It left as a legacy a low labour participation rate - more than 10 per cent of those of working age are, for a start, classified as "severely disabled". Suffering from stress was often reason enough to be allowed to leave a job and draw up to 70 per cent of one's former salary until pension day.

Now each of those drawing benefit under the WAO, the Dutch acronym for the invalidity insurance law, is having his or her case reviewed by state-appointed doctors. Of those examined last year, 35 per cent had their payments withdrawn or reduced.

This, combined with a



Gerrit Zalm: high debt forecast

smaller intake of new cases, again because of tighter criteria, has brought the number of "benefit years" being paid under the WAO by nearly 6 per cent to 742,400, according to figures this month from the Social Affairs Ministry.

The labour participation rate, substantially above 60 per cent in the past few years, compares favourably with a level of barely 55 per cent a decade ago, but still does not look good against a rate of nearly 80 per cent for Denmark, for example, and well over 70 per cent in both Britain and the US.

One consequence of this has been a per capita GDP which, although rising faster than its neighbours for the past eight years, still lags behind a swathe of countries ranging from France to Austria. At the same time, those in work bore a proportionately higher tax and insurance burden, as did their employers. Jobs were destroyed as a result.

In a study called "Benchmarking the Netherlands", the Economic Affairs Ministry last year measured the country against selected main competitors. Days lost through strikes were lower than anywhere except Japan. Reflecting high levels of education and workplace technology, the country ranked first in labour productivity, though at the low end of the scale when it came to use of labour potential.

Dutch trade unions are as prickly as any when jobs are threatened, and the country's social contract means that employers must tip-toe, consult, and sometimes shuffle backwards again. But in the past few years the union federations have learnt more towards non-pay benefits for their members, as a result of which many workers in the public and private sectors will be on a 38-hour week from next year.

Which, if nothing else, gives them more time to spend at Ikea.

INTERVIEW Wim Duisenberg

EMI helmsman

If Mr Wim Duisenberg takes a bullish stance on the common European currency, it comes as little surprise in light of his move to Frankfurt as chairman of the European Monetary Institute (EMI) in July 1997. More notable is the explicit assertion by the Netherlands' outgoing central bank governor that there will be a direct relationship between success in the currency convergence exercise and economic growth with resulting new jobs.

"A stable exchange rate regime can only improve the effective functioning of markets, thus brighten the European prognosis, and improve its capacity to generate new jobs," Mr Duisenberg says. For European policymakers - struggling to escape the crossfire unleashed by increasingly unpopular austerity programmes, which the Maastricht convergence criteria mandate - this comes as a hopeful note indeed.

"The move towards Euro [economic and monetary union] has inspired governments to take necessary steps to improve the functioning of the labour market and reduce their role in the economy overall," Mr Duisenberg notes. "This will naturally help fight the unemployment problem - although it will perhaps do so more as a catalyst than as a fundamental factor on its own."

Head of the Dutch central bank since 1982, and also president of the Basle-based Bank for International Settlements (BIS), Mr Duisenberg observes that the Netherlands has "moved from a deficit that stood close to 10 per cent of

GDP in the early 1980s to one of under 2 per cent this year. And precisely during this 10-year period, employment growth was faster than at any time in our post-war years. We have seen strong economic growth and a parallel increase in the flexibility of our labour market as well."

While growth in many countries has been accompanied by a widening of imbalances in how its proceeds are distributed, this has been moderated in the Netherlands by the country's social cohesion. Mr Duisenberg has been widely tipped as the first head of the European central bank, scheduled to supersede the EMI in 1999. Meanwhile, even at the helm of the EMI, he will rank among the most influential of Europe's economic decision makers.

He is a strong supporter of German-style monetary policies, and has sided with Boen in its insistence that strict limits on budget deficits must be maintained after monetary union begins. This reflects the Netherlands' interest in maintaining its close association with the D-Mark sphere, to which the Dutch guilder has been bound for 15 years through a policy of virtually identical interest rates.

Yet small, highly trade-oriented, and hard currency economies like the Netherlands will not be alone in enjoying Maastricht's benefits, Mr Duisenberg maintains - even if not all countries will qualify to join Emu simultaneously.

"The certainty of fixed exchange rates and the security that this will bring to entrepreneurs will be particularly pronounced for Holland, but all European

economies are dependent on each other for more than half their trade," he says.

Mr Duisenberg brushes aside the concern expressed by a growing number of Emu critics - both within Europe and the US - that the currency exercise is profoundly ill-timed.

Mr Rudi Dornbusch of MIT, one of the more forthright among these pessimists, suggested in the October issue of Foreign Affairs that "experimenting with new money is a bad idea at a time when Europe must face the tough realities of abolishing the welfare state, reintegrating millions of unemployed into a normal working life, deregulating statist-corporatist economies, cultivating the supply side of its economy, and integrating Central Europe."

Mr Duisenberg dismisses the implied link between structural adjustments now being undertaken to bolster a strong single-currency regime and Europe's high rates of unemployment. "These have everything to do with the rigidities of the labour market," he maintains. (In his view, Europe's prolonged economic dip reflects cyclical rather than structural factors.)

Other sceptics have suggested that if exchange rates drop out of the economic equation, wages and prices will be left to take up the slack.

"I don't see this as a terribly serious concern. After all, are exchange rates a factor between northern and southern Italy? Or, for that matter, between England, Scotland and Wales? Of course not. Besides, one shouldn't overestimate their effectiveness. If you lose



Duisenberg: tipped as first head of the European central bank

competitiveness and try to adjust through a devaluation, it will inevitably accelerate your domestic inflation. It's a one-to-one ratio - there just happens to be a time lag built in."

It is now evident that some countries will qualify for Emu membership before others. This will produce transitional dilemmas of some delicacy. However, Mr Duisenberg rejects any hint that current disagreements over the competitive terms and conditions of access to Emu's Target payments clearing system - specifically access to intraday liquidity from the European Central Bank - are symptomatic of a wider emerging tension between the emerging Emu "ins" and "outs".

"This is primarily a technical issue. It has political and commercial overtones, to be sure, but I'm not sure how important they will really prove to be. Perhaps some commercial banks will independently decide to transfer their central treasuries and definitively place themselves inside the single-currency area," he suggests.

David Brown

■ Inward Investment by Clay Harris

A well-established role

The Netherlands offers an unrivalled distribution network

The Netherlands knows its place in the world, and it is one that has changed remarkably little over the centuries.

With an economy dependent on trade, and an outward-looking business culture and workforce, the Dutch orientation towards international commerce has been constant, from the Golden Age of the 17th century to an era of "value-added logistics".

One manifestation is the country's courtship of inward investors. The effort to attract "footloose" companies to greenfield sites is led by the Netherlands Foreign Investment Agency, part of the Ministry of Economic Affairs. Such projects have accounted for F1 bn to F1.2 bn in investments and 3,000 to 4,000 jobs a year in the past two years, according to Mr Jochem Hanse, commissioner for foreign investment.

One of the NFIA's strengths is knowing where competitors have an advantage. For huge labour-intensive projects, a \$1bn investment creating 6,000-12,000 jobs, for example, Mr Hanse admits: "Such projects are not our game. The difference in labour costs will be decisive." Apart from a few limited areas, moreover, the Netherlands does not have the carrot of huge sums in regional aid to dangle before prospective investors.

Mr Hanse is keen above all to avoid attracting companies on false pretences. "It's very harmful if people choose the Netherlands based on the wrong information," he says. Later tranches of expansion by satisfied inward investors are one sign that the NFIA's approach is working.

What the country does offer is an unrivalled distribution network with the world's busiest port at Rotterdam and one of Europe's leading airports at Schiphol. Industrial companies cite its highly skilled workforce, while service groups wanting to set up international call centres - a Dutch forte - are attracted by a huge pool of multilingual recruits. Expatriate managers also remark on the eagerness of many Dutch to work for foreign companies, and the



Hanse: 'adjustments possible'

openness with which society accepts foreigners in their midst.

The Netherlands is benefiting from changes in manufacturing patterns, as companies move their assembly operations closer in time and distance to the customer. Mr Hanse gives as examples bicycles and personal computers, products which a consumer might think about for two years but, once he has decided, want in two weeks, to a specific configuration.

For such products, it no longer makes sense to assemble far away and ship in. Parts can be manufactured elsewhere, then shipped for assembly closer to the customer. Such "postponed manufacturing" requires an excellent distribution network and access to technical skills sufficient

to provide necessary after-sales service, maintenance and repair.

The principles do not only apply to consumer products. Outokumpu, the Finnish metals group, processes stainless steel at Terneuzen in Zeeland in the south-west of the country. Mr J.C. Klap, the general manager, says the original investment was driven in part by the need to cut transport costs, but it has been reinforced by developments in the market.

The country's bonded warehouse system also fits in with companies' just-in-time needs. Once their internal procedures are approved and licensed by customs authorities, companies are free to move goods without additional paperwork. By taking on this responsibility, subject to spot checks by customs officials, they achieve around-the-clock freedom.

The Netherlands can also offer prospective investors a level of predictability. Companies can get written agreements from tax inspectors about what their liability will be for fixed periods of up to 10 years. These contracts cannot be overridden by subsequent changes in government budgets.

The "social contract" questions that transfix certain Anglo-American views of continental European business have not proved to be a deterrent to investment. For one thing, says Mr Hanse, the Netherlands had a head start on many of its continental rivals in liberalising

its job market. Certainly, the use of temporary or contract employees, with the consent of unions after negotiation, is far more advanced in the Netherlands than in other continental European countries, and gives employers a measure of flexibility.

On another issue that could influence the choice between European countries, Mr Hanse expects the prospective Dutch membership of the "euro zone" - if and when a common currency gets the go-ahead - to attract, rather than repel investors.

One of the few problems with the Netherlands is that there's simply not enough of it - in the right location, anyway. "More land", answers Mr Hanse, when asked what single change would make his job easier.

The main shortage has arisen in the corridor leading from the Randstad - the Amsterdam-Utrecht-Rotterdam conurbation - to the south-east towards the Ruhr. Through this area, which takes in much of the south of the country, run the main transport and distribution links with Germany, the Netherlands' single biggest market. For chemicals companies, especially, access to pipeline networks is crucial.

Mr Hanse is hopeful: "Until now, we have not had to say no to any project, and the corridor is widening". He concludes with a practised phrase: "The Netherlands is almost completed, but some minor adjustments are possible."

■ The stock market: by David Brown

Strategy for a single entity

Amsterdam is defending its position as an international centre

The councils of the Amsterdam Stock Exchange and the Amsterdam-based European Options Exchange (EOE) have punched the "execute" button on a strategic programme to merge into a single operating entity.

The plan is aimed at defending Amsterdam's position as an international financial centre at a time when competition between Europe's capital markets is growing ever more intense. Provided that details of the plan can be agreed and finalised by members this year, particularly the division of rights and responsibilities under the new regime, then both exchanges will be folded into a new public limited company, Amsterdam Exchanges (AEX), at the start of 1997.

The overall aim of the AEX is to attain better economies of scale and - as one bourse spokesman phrases it - to create "a one-stop shop" for trading in Amsterdam.

Within the new structure, a number of functions associated with clearing, settlement, plus management of the crucial information delivery and exchange systems, will be carried out by independent operating companies under the AEX umbrella. The AEX will also assume day-to-day market oversight.

corporate and institutional investors. In the process, AEX will become Europe's first listed exchange.

Amsterdam's merger initiative is one of several unfolding developments. The illiquid, unlisted Dutch securities market is also to be revamped in response to similar steps undertaken in London (in the form of the Alternative Investment Market), Paris (the Nouveau Marché), and Frankfurt (with its Neue Markt).

The aim is to attract more start-ups on to a new exchange, generate more liquidity, and to bring the local market under Amsterdam's supervisory regime. There is also an effort to co-ordinate information exchange among all of these new markets across Europe. The operating principle is that remote trades, while encouraged, should be effected and settled in the country in which the start-ups have their listed base.

The Stock Exchange has also introduced a new settlement system to insure that delivery of securities takes place at the same time as the corresponding cash payment - which promises to lower potential settlement risks - while the Options Exchange has had its trading problems with a costly new trading system known as "Switch" that was originally designed to support simultaneous dealings on and off the floor itself. Already installed, it is now undergoing a substantial reconfiguration.

Wisps of the re-organisational wind that has been sweeping at the surface of Amsterdam's markets are only now starting to penetrate the antechambers of actual power. Corporate governance in the Netherlands remains a highly cartelised affair. However, this is now recognised as an issue that ought, perhaps, be

addressed. The Stock Exchange, in co-operation with the Dutch Association of Stock Exchange Listed Companies, last summer launched a study aimed at defining best practices for company directors and supervisory boards. A report is expected at the end of this month.

The Dutch government has meanwhile proposed a wide-ranging package of anti-cartel measures aimed at opening the economy as a whole - one of which concerns the crucial issue of anti-takeover defences.

The Netherlands retains some of the strictest formal and informal anti-takeover defences in Europe. Despite pressures to partly unwrap this thick and impenetrable swaddle and render management more accountable to shareholders - a compromise plan now awaits political disposition - speculation of the Anglo-Saxon kind remains a foreign phenomenon.

The country has still to see a successful hostile takeover bid.

While Dutch exchanges have avoided the more egregious corruption scandals that have plagued counterparts in Germany and France, they too have had their share of "embarrassments". These have raised concerns about the Stock Exchange's tradition of self-regulation, as well as about the independence of its management.

For example, during the summer, investigations into alleged insider dealing in shares and options on the drinks group Bols Weissenstedt led to a spate of arrests, not least within the company itself. In mid-October, the dredging and salvage company Smit Internationale also became a focus of possible concern.

Meanwhile, in September, the new Securities Board of the Netherlands (STE) was

given a chance to prove its zeal in a murky affair surrounding Nussle Brink, a securities trading house which went bankrupt in 1993 after numerous unreported share transactions amid suspicions of running an extensive money laundering operation as well.

A report is expected eventually; a separate judicial procedure will come to a head shortly. Interestingly, all of this has done little to dampen investor enthusiasm, perhaps because of strong underlying economic fundamentals and a growing appetite among customarily risk-averse institutional participants to balance their bond-heavy portfolios with more shares.

This month, strengthened by the Dow's powerful performance and a rising dollar, the Amsterdam AEX has been trading at record levels. Strong performers include technology sector stocks as a whole plus many of the small- and medium-sized stocks that form part of the Midkap Index. At the EOE, turnover rose 86 per cent in the first half alone.

Moreover, in January of this year, following implementation of the European Unions Investment Services Directive, the exchange opened a new chapter in the long-standing saga of rivalry between Amsterdam and London by launching a hard-sell campaign aimed at luring business from the City to the continent.

Amsterdam now offers London-based investment banks the option of "remote membership" - which makes it possible to trade in equities listed in the Dutch capital from elsewhere in Europe - and has succeeded in attracting the London branches of UBS, the Zug-based Timberhill bank, and a third still-unannounced player into its web.



The country's bountiful welfare system began to inflict macroeconomic scars in the mid-1970s. *Rand Zalm*

4 THE NETHERLANDS

■ Transport infrastructure: by Gordon Cramb

Coalition gives the go-ahead

Public-private partnerships are tackling infrastructural needs

Several big infrastructural projects in the Netherlands have recently gained political endorsement after years of prevarication.

A high-speed passenger rail line from Amsterdam south to Paris, connecting with the Channel tunnel, and another fast train link east to Cologne. An all-freight track serving Ruhr industry, from a Rotterdam harbour doubled in container capacity. An airport able at peak hours to handle the most flights in Europe.

"It has a lot to do with the new government combination," says Mr Hans van Dord, managing director of Heideveld Advies, part of the country's biggest engineering consultancy. "The hurdle is gone - there is the trust and the determination to do something about these big problems in infrastructure."

The ruling coalition of social democrats, reformists and free-marketisers brought together two years ago has managed to forge surprising unanimity on what needs to be done to make the Netherlands work. For the left this means creating jobs; for the right it signals business opportunities.

This consensus stretches into the opposition ranks as well: out of 150 members of parliament in The Hague, only about 10 voted against a proposed fifth runway at Amsterdam's Schiphol airport. The case for the runway rests, unusually, on a reduction in noise. Locating it in a less populated area will mean that only 10,000 homes will fall within the most affected zone, compared with 17,000 at present. At the same time, it will provide Schiphol with the ability to treble cargo capacity

to 3m tonnes a year, and handle 120 aircraft movements an hour - more than any competing facility in Europe.

This is of crucial importance to a hub airport for which as many as 39 per cent of its passengers are merely passing through. More than 25m passengers used Schiphol last year, up 7.6 per cent, and the government has imposed a ceiling of 44m which should be reached soon after 2005.

By then, some 6m should be arriving or departing by high-speed train. London would be four hours' rail journey away; Paris and Frankfurt three hours. "We don't regard this as a threat," says Mr Ruud Wever, an airport official. "Considering the other limits imposed on us... it enables more optimal use of our capacity to serve bigger aircraft for other destinations."

Nearly two-thirds of domestic and international freight is conveyed by road

From Amsterdam to London via Brussels and the Channel tunnel is currently a seven-hour trip. A new track is to be built to Antwerp, its route agreed by the cabinet after wrangles with the Belgian authorities on cost and with Dutch interest groups on environmental and commercial considerations.

Unless overturned by parliament it will not, to the displeasure of The Hague municipality, call at the country's seat of government. Instead, it was proposed that the line cut

directly through the so-called "green heart" within the conurbation which encircles Amsterdam. The Hague, Rotterdam and Utrecht. To appease environmentalists, an 8km tunnel would shield it from view.

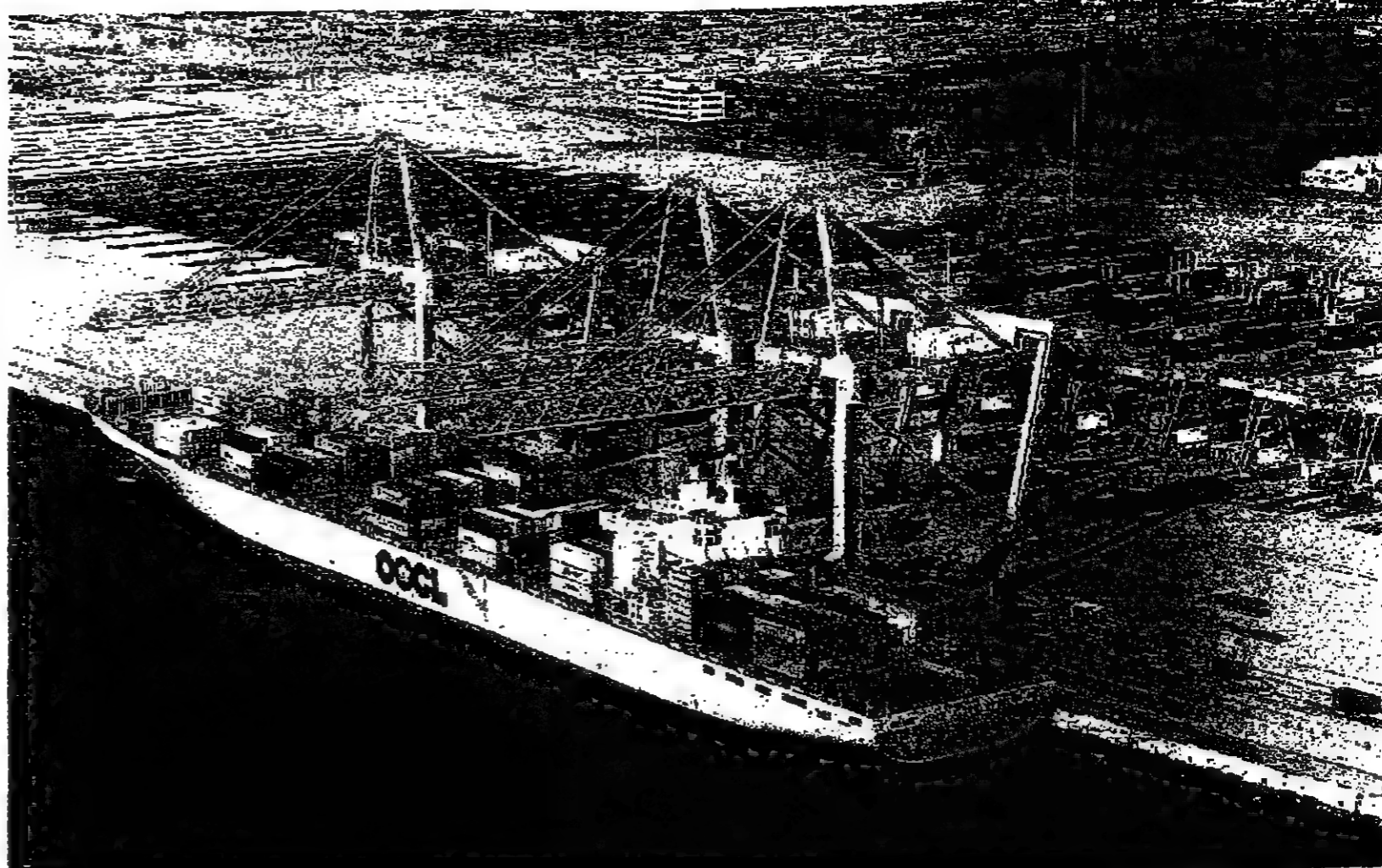
At F17.5bn, it approaches in cost the other most expensive project: the Betuwe line, which will connect Rotterdam port with the German industrial heartland. It will reinforce the position of what has long been the shipment point of choice for many Ruhr products, to the chagrin of Germany's own ports such as Hamburg and Bremen.

Most of the traffic now goes by road. Nearly two-thirds of domestic and international freight is conveyed along by the country's increasingly congested highway system. While another third is water-borne, rail takes only 2.5 per cent.

This month, Mrs Annemarie Jorritsma, transport minister, announced the establishment of a consortium grouping government and industry. To be called ITS Netherlands, its aim is to develop logistical solutions for passenger, goods and information traffic. This follows her allocation of F12bn over the next four years "to direct freight transport into the right channels" and alleviate congestion.

As elsewhere, public-private partnerships are being used increasingly to tackle demanding infrastructural needs. A F12.2bn investment programme has linked the Rotterdam city authorities with Europe Combined Terminals (ECT), a stevedoring operation which groups international shipping enterprises.

Its centrepiece is the Delta Dedicated East (DDE) terminal, a highly automated facility which had its official opening last month. Employing only 100 people full-time, it handles upwards of 100



The new Delta Dedicated East terminal in Rotterdam was officially opened last month. Employing only 100 people full-time, it handles upwards of 100 containers an hour

containers an hour. Mr Wouter den Dulk, ECT chairman, sees scope within the harbour and environs for nearly a quarter century more of container development.

According to Transport Ministry projections, the port as a whole could be shifting 8m to 7m containers a year by 2020 compared with 3m currently. This is important in maintaining the position of a commercial harbour - still the world's largest - which directly and indirectly provides nearly 40 per cent of jobs in the greater Rotterdam area.

Amsterdam port, a sixth of the size, can nonetheless claim that its presence creates 40,000 jobs; nearly as many as Schiphol. Nissan ships hundreds of thousands of cars a year from there as far as Italy, and it handles the world's largest cocoa trade. The Greek-owned Ceres stevedoring group would like to develop a container terminal. Only the biggest bulk carriers cannot

negotiate its waters.

"These two characteristics - a fragile, densely-populated land having to cope with huge additional traffic flows to make a living - explain the extraordinary

attention given to infrastructure issues in the Netherlands," says the Rotterdam-based European Centre for Infrastructure Studies.

Problems arise because it is "common practice to seek

consensus even at the cost of slow planning." And while the Betuwe line and the two high-speed passenger train projects have the weight of Brussels behind them as designated Trans-European Net-

works, "Dutch infrastructure policy will face major problems over the coming years - caught between honouring European commitments and local demands to relieve congestion," it warns.

■ Transport and communications deals: by Gordon Cramb

Gust of merger activity

Deals are likely to continue emerging as the transport sector is rationalised

Couriers of TNT, the Australian transport and express delivery group, are likely to have been kept busy in the past few months, shuffling corporate documents from the Netherlands to the furthest reaches of the world. A gust of cross-border merger activity has surrounded the Dutch transport, distribution and communications industries.

Destinations for that paperwork have included TNT's own head office in Sydney. KPN, the privatised Dutch posts and telecoms utility, last month launched a F12.7bn friendly bid for the Australian parcels group.

In what at times has felt like a sector reinventing itself, three main trends can be discerned. First, the country's expertise in modern logistical services is proving highly exportable. Boards of quoted public companies in other western markets have in a number of cases been happy to recommend takeover bids made by Dutch-based rivals.

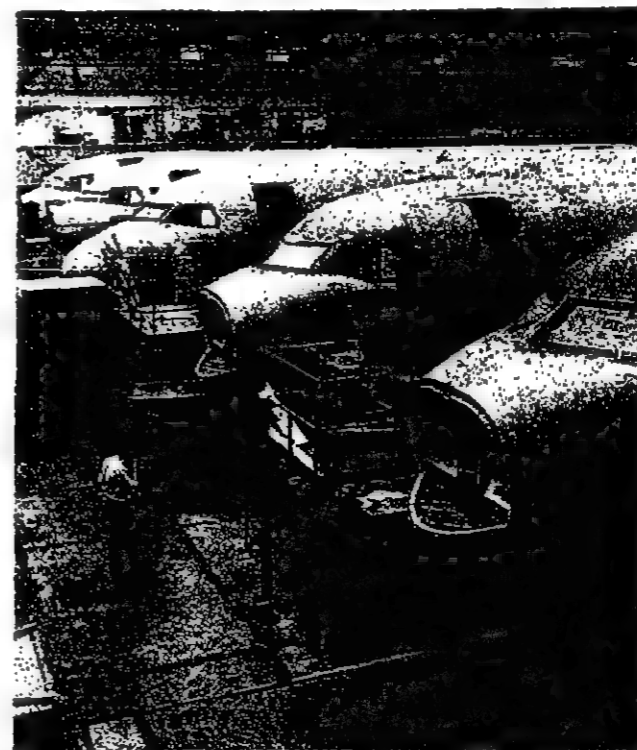
Second, in older-style, capital-intensive service businesses such as maritime shipping, international alliances are needed to meet competitive pressures.

Third, manufacturing of transport equipment is not something that a stand-alone company can any longer readily undertake, if it has to pay the Netherlands' relatively high wages. Such producers will go into foreign ownership, or go under. Sometimes both. And the order varies.

So as Fokker's remaining few hundred workers waited to hear on what terms Samsung of South Korea might be prepared to rescue the aircraft maker from bankruptcy, Daf Trucks this month accepted a F1933m offer from Paccar of the US. Daf, itself bailed out by the government from receivership 3½ years earlier, said the sale of the company offered "a broad array of opportunities which we could not realise independently." It sought to reassure its 5,000 staff by saying that while this allowed shared technology and sourcing, the business would continue as it was. But local commentators were sceptical.

Job cuts were clearly visible on the horizon as the Rotterdam-based Nedlloyd and P&O of the UK in September agreed to combine their container shipping activities into the world's largest such operator. They went on to agree the purchase by the British company of Nedlloyd's half share in their North Sea ferry services, run jointly for the past 15 years.

On cross-Channel passenger routes, the reshuffle will help P&O address the challenge of high-speed rail and airline price cutting. The combined container unit



Fokker was already under foreign control. Lijta van der Meer.

aims to pare costs and reap economies of scale in what is a low margin business.

At the same time, more of the world's traffic in bulk freight came under Dutch control as a result of the F1521m agreed purchase by Pakhoed of Univar, the biggest North American distributor of chemicals. Pakhoed, as a result, became world leader in that sector, and is already adding further storage capacity in the US. Van Ommere, Pakhoed's chief domestic rival in the bulk storage business, this month said it wanted soon to expand its shipping side through a partnership or takeover.

Nothing in the freight business could be further removed from bulk chemicals than overnight courier and parcel services. The bid for TNT by KPN highlighted not only Dutch ambitions in the sector but also how entrepreneurial a utility can become only two years after privatisation. Standard & Poor's, the US credit rating agency, said the deal gave KPN "a strategic opportu-

nity to create a leading European-based time-sensitive freight business."

The KPN telecoms division has been spending the year collecting stakes in operators from Ireland to Indonesia. It is on a shortlist to become the partner which Telkom of South Africa needs to help it meet demand from black townships.

KPN's expansion is needed to offset lower domestic revenues after its monopoly on fixed-line phone services within the Netherlands expires next July. Cable television operators and regional energy companies are among those which are to be awarded licences by the end of the year - as is BT of the UK in a joint venture with NS Telecom, an offshoot of the state-owned railways.

The rail network, too, is feeling the first breaths of competition. Lovers, a company which had previously confined itself to running tourist barges on the Amsterdam canals, in August launched the coun-

try's first private train service and is seeking permission to enter five more routes next year, including a connection to Schiphol airport.

In the skies, KLM's long-standing alliance with Northwest Airlines appeared to have weathered the worst of a storm last winter when the US carrier erected defences against a possible takeover by its partner. This deprived KLM of voting power for its full 25 per cent stake in NWA, but the Dutch side - since faced with transatlantic link-ups such as that between British Airways and American Airlines - is anxious to nurture the relationship.

A takeover of Fokker by Samsung was eagerly awaited, but with qualms about what guarantees the state would get - on issues such as jobs and technology - in return for the F11bn injection the Korean conglomerate was said to be asking.

As outlined in leaks of the confidential business plan Samsung presented to the Economics Ministry, for its money the government would get a 15 per cent stake in Fokker. A holding of similar size would be offered to Stork, the local industrial group which paid F1302.5m for Fokker Aviation, its profitable maintenance and services arm.

Fokker was already under foreign control - its collapse came when Germany's Daimler-Benz declined early this year to fund the then subsidiary any further.

"The Dutch government made clear it would not keep Fokker aloft on its own, in the way that its purchase of a 40 per cent stake put Daf Trucks back on the road. The state also owns a third of NedCar, Daf's former car plant which now produces Volvos and Mitsubishi's.

The Swedish and Japanese partners are thought to be haggling with the government over terms on which they might buy it out. With the rationalisation of the transport sector thus incomplete, the deals are likely to keep on coming.

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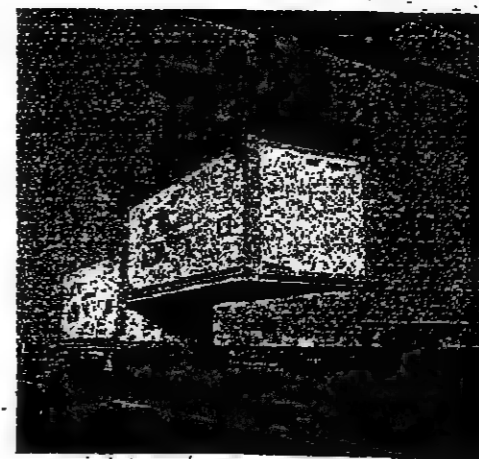
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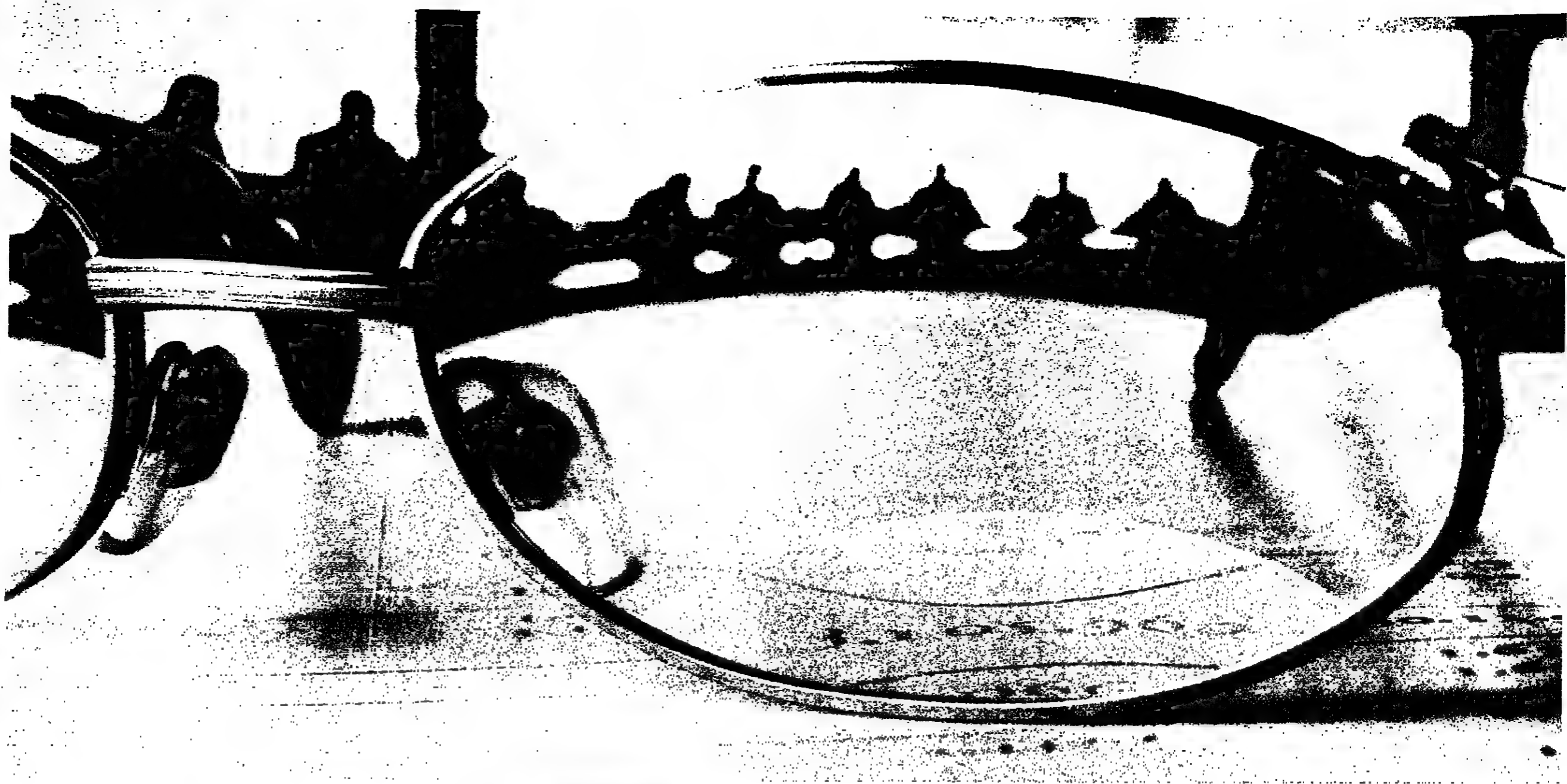
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6 THE NETHERLANDS



A question of perception: Convivial bars and cafes... or pricey restaurants?

Picture: Lydia van der Meer

Two lists from Amsterdam

"An Amsterdam posting? Absolutely. Splendid place. Been there for the odd long weekend. Odd? Come to mention it, it did turn out a bit that way once or twice... but let's not go into that now. Thinking of expanding our presence there, you say? I can't see a good reason for our people. Tell you what, you send me there and I'll confirm those impressions. Once I've got myself sorted, I'll report back." Gordon Grant attempts to do just that:

What the visitor sees	What the expatriate finds
Venice of the North	Any premises you might buy are likely to be subsidised
Rembrandt and Van Gogh	Graffiti on your front door
Tulips at every corner	The PTT cuts you off two days after connecting your car
Phones and trains work fine	Your car is under siege from back-packers
Easy to escape into the country by car	Two-year wait for a central Amsterdam parking permit
The bicycle is king	The bicycle is stolen
Many convivial bars and cafes	Pricey restaurants; stodgy food
A service economy	A wait-to-be-served economy. And wait. And wait.
Hotel room with all mod cons	Apartment bereft of light fittings and curtain rails
Favourable tax breaks	Hungry accountants
Police who speak English	Tax inspectors who speak very clear English
Everyone speaks English	Except the people from whom you are trying to buy light fittings and curtain rails
Helpful local support staff	No staff at all, unless you're prepared to pay cash in hand, a big fee to a temp agency, or offer a lifelong contract
Sex	Beyond the red light district and the gay bars, the amber light of political correctness flashes just about everywhere
Drugs	The junkie who sleeps on your doorstep expects you to fund his habit because he sweeps the step too (when he's capable)
Rock 'n' roll	"Blowing in the wind" is whistled from every pavement as tin mug solicits contributions. But Oasis has given the hippie strummer his first repertoire extension in 25 years: they all now do "Wonderwall". Amsterdam is rejuvenated. Rejoice.



Drugs: available on the doorstep

Picture: Tony Andrews

PROFILE NCM Holding

Early signs of recovery

By the very nature of its business, NCM Holding, the Dutch credit insurer, has broad horizons. Founded in 1925, it was one of the first national champions in the sector to spot and capitalise on an emerging trend towards liberalisation, buying the short-term business of Britain's Export Credits Guarantee Department when it was privatised in 1991.

But the increasing pace of competition, the rapid evolution of information technology, need to consolidate after a rapid international expansion and change at the top have combined to put the company into an introspective mood this year.

A "re-engineering" exercise undertaken with the assistance of McKinsey & Co, management consultants, led earlier this month to NCM's announcement that it would lose 225 jobs; more than 15 per cent of the total. The redundancies are only part of the changes on the short-term side of NCM, which is being re-organised into business units.

The company had already changed its medium-term business from being based on the industrial sectors of its customers, such as capital goods, aircraft and shipbuilding, to the geographic location of their buyers. It also created a special unit for project financing, backed up one or two experts in each sector, according to Mr Anne van't Veer, managing director of the medium-term business.

NCM has signalled, however, that such internal reviews will not obstruct its expansion if the right opportunity arises. This month NCM also announced the purchase of the remaining 75 per cent of EKR Kredietverzekering, the

dominant Danish credit insurer. It had bought a 25 per cent stake in April 1995. EKR not only covers 25 per cent of Danish exports, and accounts for 80 per cent of the country's credit insurance, but it also brings synergies in underwriting, in sectors such as fish and meat products.

The change at NCM is manifested nowhere more than in its plans for information technology.

"Information is essential in every regard to NCM's strategy," says Mr Gerard van der Stelt, one of two managing directors of short-term credit business in

communications but as a sales tool for policyholders who want more information, more quickly, about their potential customers. NCM is still feeling its way about how much access to give them, without breaching the confidentiality of the information. "We're always testing the boundaries and our customers are always asking for more," admits Mr van der Stelt.

While he maintains: "We're not primarily in the information business; it's part of the product we deliver" - the NCM Profound service is offered as an extra to customers, at

higher claim rates and competitive pressures on premiums, had created a financial squeeze. In 1995, it wrote off £14.6m in extraordinary costs compared with an operating profit of only £13m. This pulled NCM into its first loss since 1983, and it passed its dividend. International expansion led to start-up losses at a number of branches in 1995. The company told shareholders last year it did not expect to reach break-even until 1997.

By earlier this month, however, signs of recovery were in sight. NCM reported an interim after-tax profit of £13.8m compared with a loss of £15.9m in the first half of 1995.

But claim rates in Germany, up to 75 per cent in the first six months of this year against 62 per cent in all of 1995, continued to exert pressure. In such cases, NCM says, it has two main options: to increase premiums or tighten underwriting. In general, it has taken the latter course, setting limits on insured risk and encouraging customers to strengthen the language in their contracts.

NCM's annual report last year pulled no punches when it said 1996 "will make great demands on the commitment and adaptability of our staff."

The company now hopes the uncertainty is behind it and it can look forward. "Competition is a good thing," says Mr Marcel Wendrich, NCM's corporate communications director. "It makes you sharper and it's good for the customers. The situation is changing rapidly. Clients will benefit from it. Shareholders will benefit from it. We're confident the company will benefit from it."

Clay Harris

the Netherlands. "It is essential that our databases be integrated and be accessible to any NCM underwriter wherever he or she may be. That is a huge undertaking and it's about to go live at the end of the year."

For the first time, underwriting specifications will be done to a standard format. The database at NCM's Dutch headquarters, more attuned to domestic business, and that at NCM (UK), more export-oriented, both have 1m buyers. Until the integration, however, someone in Amsterdam had to call Cardiff to find out what was on the British database.

The project was undertaken by Oracle, the software company, but Mr van der Stelt points out: "A lot of functions that have been included in this database are home-grown, built and designed by ourselves."

The system is designed not only for internal

a price - he acknowledges: "We're entertaining the idea of selling it to non-customers as well," to get a foot in the door.

Innovation is not limited to IT: NCM has developed reinsurance facilities to offer political risk coverage without a link to the government of the selling country. This gives it a better ability to offer "one-stop" shopping to multinationals, but whether they actually want it depends in part on how centralised each company's corporate culture is.

Change was also in progress at NCM because it had new leadership. In 1994, its chairman, Mr Harry Groen, then aged 50, announced his plan to retire. He had worked for NCM for 30 years and dominated its culture. He was succeeded in June 1995 by Mr Maarten Hulshoff, a man only three years his junior, who had spent much of his career with Citibank. Market conditions, both

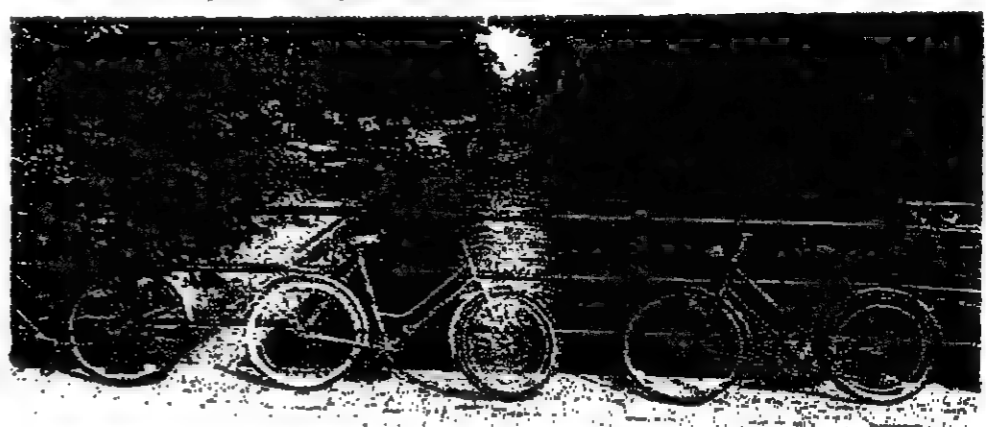


Tulips at every corner. Picture: LFF



Graffiti... or art? A special clean-up bus tours Maastricht

Picture: Lydia van der Meer



The bicycle may be king... but it is frequently stolen

Picture: Lydia van der Meer

PROFILE AT&T-Unisource

Complexity starts at home

"Management of complexity" will be one of AT&T-Unisource's main selling points to customers in the increasingly competitive European telecommunications market, according to Mr James Cosgrove, its chief executive officer.

But that task starts at home, for AT&T-Unisource is without peer in the complexity of the cross-national alliance it is trying to create.

Its headquarters at Hoofddorp, within sight of the southern edge of Amsterdam's Schiphol airport, sits on a new estate where streets are named after planets and stars. The challenge for Mr Cosgrove, a 22-year veteran of AT&T, and his colleagues will be to keep a galaxy of bodies in their proper orbits.

Unisource itself is equally owned by four European telecom groups: KPN's PTT Telecom in the Netherlands, Telia of Sweden, Swiss Telecom PTT and Spain's Telefonica. The participation of the Spanish company is subject to final approval by the European Commission, depending on the Madrid government's liberalisation plans for the Spanish telecoms market.

In turn, Unisource owns 80 per cent and AT&T 40 per cent of a joint venture, AT&T-Unisource Communications Services (known as Unisource in a transitional stage), which offers integrated voice, data and messaging services to multinational companies operating in Europe.

Unisource and its US partner each owns a 50 per cent share in AT&T-Unisource Participations, which holds investments in other companies. Other Unisource businesses, such as Card Services, remain outside the scope of the joint ventures with AT&T.

To add to the complexity, each of the European home countries has a Unisource Business Network which integrates all the data services for customers in its market.

At the next level down, the respective domestic PTIs, such as PTT Telecom in the Netherlands, acts as distributor, as well as



James Cosgrove: an entrepreneurial investment opportunity

selling, managing and servicing local area networks.

Factor in the existence of five ultimate corporate parents, each with domestic pressure to justify their investments, and one might see the potential for a telecoms Tower of Babel.

For the partners, there appears to be no alternative

to huge research and development resources, and its global WorldPartners links. Yet its alliance with Unisource tones down its American accent just enough to allow any European concerns about an aggressive US giant.

It brings the best of both worlds, Mr Cosgrove argues: "You have to be European to

out of individual companies.

This is helping to create a corporate identity in a company which has no nationality. "Half of alliances don't work because of cultural issues," Mr Martin says. "Working practices of two years have proved that out remarkably well. We have learned that you have to see this thing as a common operation. Otherwise too many bad compromises can be made."

Mr Henk Koning, now managing director of Unisource Business Networks Nederland, was one of the first participants in the PTT Telecom international project in 1991, which led in stages to Unisource. He has seen a similar evolution as each new partner joined. "Equal positions are one of the strengths; we each have peers in the organisation," he says.

In spite of this emerging culture, Hoofddorp is without doubt the hub, which may require some finesse to avoid the company being identified as too "Dutch".

"The only divisional headquarters to be located elsewhere is that for multimedia, previously part of AT&T, which will remain in Geneva."

Mr Cosgrove, however, is openly enthusiastic about the Netherlands as a home base.

"We're fortunate to be in Holland. It is an extremely favourable society for absorbing the non-Dutch. There is a high degree of acceptance, not just toleration, of multinational diversity."

Although he inherited Hoofddorp, he says he would choose it again even if starting from scratch. Its proximity to Schiphol - on the side away from Amsterdam and traffic - is a huge advantage.

Relationships among the Unisource partners and between them and AT&T are likely to remain a matter of sensitivity. The question of how - or whether - to punctuate the company's name was debated until the conclusion was reached that a hyphen carried exactly the right nuance.

Clay Harris

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CURRENCIES AND MONEY

Battered yen hits three-and-a-half year low

MARKETS REPORT

By Simon Kuper

The yen resumed last week's slide, closing at a 42-month low against the dollar and just off its 44-month worst against the D-Mark in London yesterday. After crashing through the supposedly tough "Benten ceiling" of ¥13.6 at the end of the day at ¥14.3 against the US currency, and ¥75.15 to the D-Mark.

Most currency strategists say the yen is being driven lower by Japanese investors seeking higher yields abroad. Japan is expected to stimulate its weak economy through tax monetary policy rather than by fiscal means, thus keeping the yen weak. The Swiss franc, another low yielding currency, closed near a 14-month low of Sfr9.89 to the D-Mark. Traders think the Swiss National Bank would welcome a further fall, as the Swiss franc's strength is

hurting exports. Sterling rose sharply for most of the day, touching DM2.459, but after late profit taking it closed in London at DM2.451, having added 0.7 pence to its Friday gains of 2.1 pence. Against the dollar the pound closed four fifths of a cent higher at \$1.612.

The dollar dropped two fifths of a penny against the D-Mark to DM1.520. The Canadian dollar closed unchanged despite a 25 basis point rate cut.

The yen suffered from news that there will be no Japanese supplementary budget to stimulate the economy until January. But most of yesterday's yen fall continued last week's trend. The general election of October

Pound as New York

Oct 28	---Latest---	-- Prev. close --
1 spot	1.8125	1.8050
1 mth	1.8118	1.8043
3 mth	1.8105	1.8030
1 yr	1.8035	1.7964

Liffe may take on olive oil futures

By Deborah Hargreaves

Olive oil futures and a soft and agricultural commodities index are new products being considered by the London International Financial Futures and Options Exchange for its newly acquired commodities section.

"We are looking at the long-term potential of several projects, but we have to do the research to see what's viable," said Mr Clive Furness, director of commodity products.

Liffe merged with the London Commodity Exchange in September, bringing futures contracts on coffee, sugar, cocoa, wheat and freight futures under its auspices.

Although the commodities contracts continue to be traded on a separate floor, 70 companies have bought the special "P" shares which allow them to trade commodities products.

"We have to make our products visible and accessible to financial traders, but a lot of them started off in the commodities markets in the first place," said Mr Furness.

Mr Furness is now working on a business plan for developing commodity products that will be put to the Liffe board on November 19.

hoping their merger with Liffe will give them wider access to the huge pool of cash controlled by managed futures funds. Mr Furness is working on a plan to market the commodity contracts to these funds, which are very active in the Liffe market.

The extra business that could be attracted to commodities is shown by the ratio of futures business to the amount traded in the physical market. This ratio is seven to one in Liffe's cocoa futures, but 11 to one for a similar product traded on New York's Coffee, Sugar and Cocoa Exchange. The ratio for Liffe coffee futures is four to one.

Mr Furness is also working on an options management system to update its process of pricing up options at the end of the day's trading. Over the longer term, he would like to develop a soft and agricultural commodities index that would be based on a weighted basket of futures contracts.

Mr Furness also believes the futures contract on the Baltic freight index has enormous potential. This contract currently trades 100 to 200 lots a day, but if the ratio of futures to physical business was only one to one, it could trade 7,200 a day.



Pitched battle: residents of Olympiada defend their archaeological heritage against TVX's plan to establish a \$200m gold extraction plant in the area

TVX gold project faces further delay

By Karin Hope

TVX Gold's troubled \$200m investment project in northern Greece faces further delay after the discovery of an ancient city on the proposed site of a gold extraction plant.

Residents of Olympiada - a village close to the Canadian company's concession area - claim the plant would prevent the development of a local tourist industry based on the area's rich archaeological heritage.

TVX had been hoping for a respite after local protesters removed their blockades on the road leading to the Olympiada mine. The residents were placated when the government announced an independent inquiry into TVX's concession area.

Excavations have been started already at Olympiada to unearth the city of Stagira, where the philosopher Aristotle was born in 384BC.

The second ancient city on the site of the planned gold extraction plant was discovered after the Greek archaeological service won a court order to survey the area around the Olympiada mine.

The latest find underlines the difficulties investors face in setting up greenfield projects in Greece, which has a profusion of ancient remains and an important tourist

industry. The TVX project is one of the largest industrial investments in Greece for more than 20 years.

In December TVX paid \$44m for the assets of Cassandria Mines, a bankrupt lead and zinc ore producer, in a deal agreed with the Greek development ministry under the country's privatisation programme.

The company planned to refurbish mines at Olympiada and Stratonice, another seaside village, to carry out further prospecting and build a plant to extract gold from a 200,000-tonne stockpile of ore residue with pressure oxidation technology.

TVX, which operates gold mines in Canada, the US, Brazil and Chile, has said that reserves at the Cassandria mines are estimated at 4.4m ounces of gold. The plant would process 300,000oz of gold equivalent yearly, with an estimated recovery rate of more than 90 per cent.

Despite the socialist government's pledge to expedite the project, TVX Hellas was unable to gain access to the Olympiada mine from January until last week because of the road blocks. Earlier this month, the company threatened to shut down operations at Stratonice and lay off several hundred workers.

Last week, Ms Anna Diamantopoulou, Greece's development under-secretary, announced the independent study, which she said would decide the location of the plant. Igme, a state mining-research institute, is expected to carry out the study, which should take about three months.

TVX's concession covers about 300 square miles of forest on the Chalcidice peninsula. Because the area was an important source of timber and minerals in antiquity and is still sparsely populated, it has a high density of ancient settlements, many of them unexplored.

Exchanges urged to help EU farmers

By Alison Maitland

European commodity exchanges need to make strategic alliances and promote new contracts to give farmers in the European Union the risk management tools they need as government support for agriculture, a London conference heard yesterday.

Mr Lamou Rutten, responsible for risk management policies at the UN Conference on Trade and Development, said the next round of world trade reforms and the eastward enlargement of the EU meant that "within a decade, farmers" will have to learn how to stand and walk on their own.

New agricultural contracts introduced by European exchanges had not been particularly successful, he told a meeting on risk management in European agriculture organised by ICM, an international conference company.

It would take time for new contracts to be accepted. But there was no reason for European exchanges "to play second fiddle" to the US. "An enlarged Europe is a larger producer of many agricultural commodities than the US," he said. Exchange management, promotion and strategic alliances would determine Europe's success. He suggested the EU could learn from Mexico, which continued price support for farmers and processors for a transition period after deciding in 1989 to reduce its role in agricultural marketing.

For four years, Mexico paid local processors the difference between a government-set local price for grains and the price of the imported commodities, hedging most risks with the Chicago Board of Trade.

Crude oil rallies on rumours of Amoco gasoline buying

MARKETS REPORT

By Robert Corzine and Philip Coggan

Crude oil prices rallied yesterday on the back of strong buying of gasoline in US gulf coast markets. The price of the benchmark Brent Blend for December delivery

was quoted at about \$34.90 a barrel in late London trading, up 38 cents.

Analysts said the latest rally was spurred by rumours that Amoco, the US oil company, had been buying gasoline in gulf coast wholesale markets for the past week because of problems at its large refinery complex in Texas.

Heating oil prices, which underpinned the crude oil rally over the past month, firmed in north-west Europe as Turkish buyers entered the market.

In the US, traders awaited news from a planned meeting between Mr Hazel O'Leary, the energy secretary, and legislators on her talks with oil industry representa-

tives to avert a heating oil shortage this winter.

On the London Metal Exchange, copper consolidated above the \$2,000-a-tonne level that it breached last week. Late liquidation restrained the price, which faltered after reaching a seven-week high of \$2,042.

Mr William Adams, research

analyst at Rudolf Wolk, said the metal's rally from \$1,900 on October 17 had been inspired by stock draw-downs, generally thought to be caused by the Chinese government topping up its stockpile.

Aluminium, like copper, faded yesterday. Last business was at \$1,416.50 a tonne, down \$19, while nickel rose on the back of chart-

based buying, after the metal pushed through \$7,250 a tonne on Friday. The price passed \$7,300, a level at which some traders had previously sold short - sold metal they did not own in the hope of buying it back at a lower price. The price rose further as they covered their positions, to close at \$7,405, up \$438.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	1294.5-5.5	1423-1				
Close	1408.5-0.5	1436-3.5				
High/Low	1399	1441/1414.5				
AM Official	1399-9	1428.6-7.1				
Kerb close	1416.5-5.0					
Open int.	227.475					
Total daily turnover	74,707					

ALUMINIUM ALLOY (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	1246-50	1270-75				
Close	1268-63	1281-83				
High/Low	1260/1268					
AM Official	1248-50	1275-8				
Kerb close	1265-70					
Open int.	5,851					
Total daily turnover	1,242					

LEAD (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	739-40	745-7				
Close	739-40	745-7				
High/Low	739-40	745-7				
AM Official	739-40	745-7				
Kerb close	745-5-3					
Open int.	25,388					
Total daily turnover	11,709					

NICKEL (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	7305-15	7415-20				
Close	7305-15	7415-20				
High/Low	7305-15	7415-20				
AM Official	7305-15	7415-20				
Kerb close	7405-10					
Open int.	44,310					
Total daily turnover	17,977					

TIN (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	5940-50	6000-5				
Close	5935-45	5990-95				
High/Low	5935-45	5990-95				
AM Official	5950-40	6005-15				
Kerb close	6000-05					
Open int.	15,591					
Total daily turnover	4,510					

ZINC, special high grade (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	1028-5-3	1035-1				
Close	1028-5-3	1035-1				
High/Low	1028-5-3	1035-1				
AM Official	1028-5-3	1035-1				
Kerb close	1035-3-5					
Open int.	72,717					
Total daily turnover	53,049					

COPPER, grade A (5 tonne)

	Sett	Day's	High	Low	Vol	Open
Cash	2051-5-3	2029-30				
Close	2040-5-2	2009-09				
High/Low	2040-5-2	2009-09				
AM Official	2040-5-2	2009-09				
Kerb close	2015-5					
Open int.	187,830					
Total daily turnover	88,642					

LIQUEFIED PETROLEUM GAS (LPG) (100 tonnes)

	Sett	Day's	High	Low	Vol	Open
Cash	100.00	101.15	99.30	102.10	1,280	
Close	99.95	101.15	99.30	102.10	1,280	
High/Low	99.95	101.15	99.30	102.10	1,280	
AM Official	99.95	101.15	99.30	102.10	1,280	
Kerb close	101.15					
Open int.	92,555					
Total daily turnover	2,513					

PRECIOUS METALS

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

	Sett	Day's	High	Low	Vol	Open
Gold (Troy oz)	383.00	383.00				
Close	383.00	383.00				
High/Low	383.00	383.00				
AM Official	383.00	383.00				
Kerb close	383.00					
Open int.	383.00					
Total daily turnover	383.00					

Local Ldn Mean Gold Lending Rates (Vs US\$)

	Sett	Day's	High	Low	Vol	Open
1 month	3.45	3.45				
2 months	3.47	3.47				
3 months	3.47	3.47				
6 months	3.47	3.47				
1 year	3.47	3.47				
2 year	3.47	3.47				
3 year	3.47	3.47				
4 year	3.47	3.47				
5 year	3.47	3.47				
10 year	3.47	3.47				
15 year	3.47	3.47				
20 year	3.47	3.47				
25 year	3.47	3.47				
30 year	3.47	3.47				
35 year	3.47	3.47				
40 year	3.47	3.47				
45 year	3.47	3.47				
50 year	3.47	3.47				
55 year	3.47	3.47				
60 year	3.47	3.47				
65 year	3.47	3.47				
70 year	3.47	3.47				
75 year	3.47	3.47				
80 year	3.47	3.47				
85 year	3.47	3.47				
90 year	3.47	3.47				
95 year	3.47	3.47				
100 year	3.47	3.47				

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Vol	Open
Cash	383.00	383.00				
Close	383.00	383.00				
High/Low	383.00	383.00				
AM Official	383.00	383.00				
Kerb close	383.00					
Open int.	383.00					
Total daily turnover	383.00					

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Vol	Open
Cash	383.00	383.00				
Close	383.00	383.00				
High/Low	383.00	383.00				
AM Official	383.00	383.00				
Kerb close	383.00					
Open int.	383.00					
Total daily turnover	383.00					

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Vol	Open
Cash	383.00	383.00				
Close	383.00	383.00				
High/Low	383.00	383.00				
AM Official	383.00	383.00				
Kerb close	383.00					
Open int.	383.00					
Total daily turnover	383.00					

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Bermuda Fund, Bermuda Growth, etc.

BERMUDA (REGULATED)**

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Bermuda Fund, Bermuda Growth, etc.

GUERNSEY (SIB RECOGNISED)

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Guernsey Fund, Guernsey Growth, etc.

GUERNSEY (REGULATED)**

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Guernsey Fund, Guernsey Growth, etc.

ISLAND (SIB RECOGNISED)

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ISLAND (REGULATED)**

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ISLAND (REGULATED)**

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Offshore Funds

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Offshore Fund, Offshore Growth, etc.

ISLE OF MAN (SIB RECOGNISED)

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Isle of Man Fund, Isle of Man Growth, etc.

ISLE OF MAN (REGULATED)**

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ISLE OF MAN (SIB RECOGNISED)

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ISLAND (REGULATED)**

Table with 4 columns: Fund Name, Price, % Change, and Notes. Includes funds like Island Fund, Island Growth, etc.



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Offshore Insurances and Other Funds

Offshore Insurances and Other Funds

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

BANKS, MERCHANT

Company	Price
Barclays	10.00
HSBC	10.00
Midland	10.00
NatWest	10.00
Paragon	10.00
Prudential	10.00
Royal Bank	10.00
Santander	10.00
TSB	10.00
Windsor	10.00

BANKS, RETAIL

Company	Price
Bank of Scotland	10.00
Bank of Ireland	10.00
Bank of London	10.00
Bank of Montreal	10.00
Bank of New York	10.00
Bank of Paris	10.00
Bank of Spain	10.00
Bank of Sweden	10.00
Bank of Switzerland	10.00
Bank of the Netherlands	10.00
Bank of the West	10.00

BREWERIES, PUBS & REST

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

BUILDING & CONSTRUCTION

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

BUILDING MATS. & MERCHANTS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

CHEMICALS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

CHEMICALS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

DISTRIBUTORS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

DIVERSIFIED INDUSTRIALS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ELECTRICITY

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ELECTRONIC & ELECTRICAL EQPT

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ELECTRONIC & ELECTRICAL EQPT - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING, VEHICLES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

EXTRACTIVE INDUSTRIES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

EXTRACTIVE INDUSTRIES - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

EXTRACTIVE INDUSTRIES - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

FOOD PRODUCERS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

FOOD PRODUCERS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

GAS DISTRIBUTION

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

HEALTH CARE

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

HOUSEHOLD GOODS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

HOUSEHOLD GOODS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INSURANCE

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS - Cont.

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
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Stout	10.00
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Watson	10.00

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Company	Price
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Stout	10.00
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Company	Price
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Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS - Cont.

LONDON STOCK EXCHANGE

Bid fails to put sparkle into FTSE 100 index

MARKET REPORT

By Peter John

A stock market looking for direction found it briefly with a bid and then lost its nerve over interest rates.

Dealers began the week happy to keep their books flat to short ahead of a clutch of significant economic data.

The FTSE 100 index was marginally easier at the start of trading as equities responded to a weaker gilt market. In turn, bonds were reacting to the possibility that tomorrow's meeting between the chancellor of the exchequer and the governor of

the Bank of England could herald a rate rise.

The theory is that the meeting represents the last chance before May to tinker with monetary policy. After the meeting comes the Budget and, after that, the country shifts into general election territory and any move would be considered political.

However, shortly after the opening, CE Electric of the US launched a \$63m offer for Northern Electric.

A bid in the utilities sector was predicted last week, but the actuality reminded the market that the takeover bandwagon might have further to roll and the prospect of an injection of cash dis-

pelled the Monday mood.

There was a rush of buying in the futures market as dealers, who have hedged against a downturn by holding short positions, raced to cover themselves against a bid-inspired rally.

And Footsie built on the gain as sterling showed no sign of giving up its seemingly unstoppable rally. The currency rose nearly a cent against the dollar and half a penny against the D-Mark.

A stronger pound hits big overseas earners such as the pharmaceuticals leaders. Thus sterling's rise might offset the argument for a rate boost, which would tend to increase the attraction of the currency.

Mr John Sheppard, the chief economist with Yamaichi, pointed out yesterday: "The interest rate debate has swung from whether the chancellor can risk another rate cut to whether he can avoid a rate hike."

However, he added: "The recent marginal drop in retail sales and the strength of sterling will give some ammunition to fight off the governor."

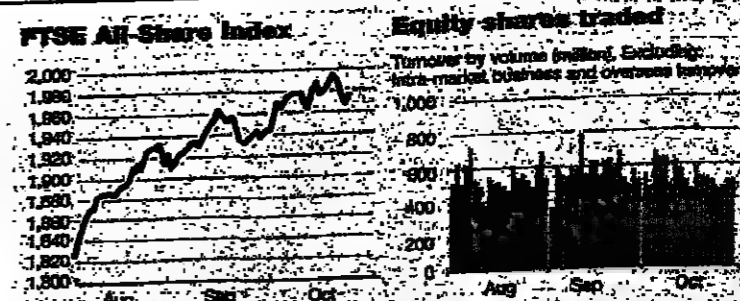
Sterling's buoyancy has also encouraged increased overseas investment and some traders noted steady European buying yesterday.

Nevertheless, there was not enough to sustain the morning rally. Footsie failed to respond to

a strong opening on Wall Street preferring to dwell not only on tomorrow's Ken and Eddie show, but also on UK consumer credit data on Thursday and - from the US - payroll and GDP figures.

From showing a gain of 15 points at best, Footsie edged lower to end the day only 2.9 points up at 4,025.3. It was left to the FTSE 250 Index, which includes a heavy dose of utilities companies, to show any real vitality. The 250 rose 11.6 to end the day at 4,443.1.

Total turnover of 641.4m shares of which 57 per cent was in non-Footsie stocks. Genuine customer business on Friday was worth £1.45bn.



FTSE All-Share Index
Turnover by volume traded, excluding turnover by volume traded, excluding

Indices and ratios					
FTSE 100	4025.3	+2.9	FT 30	2839.4	+5.3
FTSE 250	4443.1	+11.6	FTSE Non-Fin p/e	18.21	18.18
FTSE 350	2002.8	+2.2	FTSE 100 Div. Yld	4.052.0	-2.0
FTSE All-Share	1975.8	+1.8	10 Yr Gilt yield	7.56	7.51
FTSE All-Share yield	3.76	3.76	Long gilt/equity yld ratio	2.11	2.10

Best performing sectors		Worst performing sectors	
1 Telecommunications	+11.1	1 Pharmaceuticals	-0.4
2 Alcoholic Beverages	+10.0	2 Banks: Retail	-0.4
3 Engineering: Vehicles	+9.9	3 Household Goods	-0.4
4 Life Assurance	+9.8	4 Banks: Merchant	-0.3
5 Electronic & Elect Equip	+9.5	5 Chemicals	-0.3

Northern soars on hostile bid

By Joel Kibazo, Lisa Wood, Ranraj Gogna

Northern Electric was the main talking point of the day as dealers argued over the likely exit price for the distributor following a hostile \$30p a share bid from CE Electric. CE is 70 per cent owned by CalEnergy of the US.

Northern, which last year escaped the clutches of Trafalgar House, not only rejected the bid, but also revealed it had been in discussions with its predator over the weekend which culminated in a proposal of an offer around the 700p a share mark. CE later denied making such a suggestion.

Shares in the group raced forward on news of the day and a market raid for Northern stock. They gained nearly 35 per cent as the stock jumped 128 to 848p, the best performer in the FTSE 250 index.

Turnover rose to a hefty 21m with ABN Amro Hoare Govett, acting on behalf of CE Electric, having bought 12.8m shares at 830p a share, the equivalent of 12.7 per cent of Northern's issued share capital.

Market specialists suggested it is now simply a matter of price and several suggested the predator may only have to raise its offer by a small amount to make

Northern the fourth UK electricity utility to come under US control.

One analyst said: "I can't see a white knight coming in. There are other regional electricity companies to go for without getting involved in a bid battle."

The bid for Northern triggered renewed bid talk in several other stocks in the sector. They included London, which advanced 18p to 608p, while Yorkshire hardened a penny to 744p. Southern was also in demand and ended the day 17p ahead at 647p.

However, it was a bad day for last week's bid favourite East Midlands Electricity. Many had expected the group to be the next takeover candidate and the absence of such an announcement yesterday brought out the sellers. The shares fell 15 to 545p, in trade of 2.5m.

Abbey up

Banking group Abbey National was the best Footsie performer with the help of a broker's recommendation. As the session drew to a close, the shares showed a gain of 16 to 836p, with 7.6m having been dealt.

Analysts at Merrill Lynch yesterday reiterated their positive stance, suggesting the stock to be "undervalued" having trailed the market by around 7 per cent over the last three months and by 12 per cent over a six-month period.

They also pointed out that events such as yesterday's confirmation that the Alli-

ance & Leicester Building Society is to convert to a bank and float on the stock exchange is likely to trigger a change of attitude towards the sector.

The float, with others such as Halifax and Woolwich, will largely go into the hands of private investors, which should benefit Abbey as institutions search for stock in the expanded sector.

DFS active

DFS Furniture climbed 16p to 554p after NatWest Securities completed the placing of about 31m shares at 533p per share on behalf of the family of Sir Graham Kirkham, its chairman.

Dealers said the placing had gone well and that the shares rose after the stock overhang had been removed. The children of Sir Graham announced their intention to

FT 30 INDEX

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	High	Low
FT 30	2839.4	2834.1	2819.5	2831.3	2856.8	2379.4	2885.2	2668.8
Ord. div. yield	4.01	4.01	4.03	4.01	3.97	4.12	4.22	3.78
P/E ratio	17.32	17.20	17.13	17.19	17.37	15.51	17.46	15.80
P/E ratio net	17.06	17.04	16.97	17.03	17.21	15.32	17.30	15.71

FT 30 since completion high 2852.2 19/04/96, low 2668.8 04/08/96, Base Date: 1/7/96.

FT 30 hourly changes

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2832.7	2841.6	2839.7	2842.5	2843.4	2843.7	2841.0	2837.8	2840.5	2843.8	2843.8	2832.5

SEAO bargains

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	High	Low
SEAO bargains	42.456	34.484	33.698	33.494	38.234	24.232	44.232	24.232
Equity turnover (mmt)	1481.1	1463.2	1630.3	1314.0	863.0	1863.0	1481.1	863.0
Equity turnover (mmt)	28.540	27.535	29.228	31.444	25.118	25.118	28.540	25.118

Including intra-market business and overseas turnover.

FTSE AIM

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	High	Low
FTSE AIM	1022.20	1021.90	1011.90	1009.40	1008.50	-	1140.40	865.70

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London market data

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	High	Low
FTSE AIM	1022.20	1021.90	1011.90	1009.40	1008.50	-	1140.40	865.70

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Rises and falls

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	High	Low
FTSE AIM	1022.20	1021.90	1011.90	1009.40	1008.50	-	1140.40	865.70

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Kenwood Appliances

added 8p to 250p after reports that UK Active Value Fund is pressing the board of the household goods manufacturer to put the company up for sale.

The fund, which owns 9 per cent of Kenwood, is planning to requisition an

extraordinary meeting to push through its demands. Watson & Phillips fell 45p to 420p after the group issued a profits warning because of a downturn in costs at a new development in its food service division.

Analysts downgraded forecasts although there seemed to be little concern for the longer-term. A rise in interim profit resulted in Grauman TV rising 22 to 292p.

RTV eased 15p to 369p. Last week United News & Media, which was up 2p to 67p, acquired a 20 per cent stake in the company from Scottish TV and stated that it had no intention of making an offer for the balance.

Scottish TV fell 21 to 732p.

Boots fell 5 to 537p on speculation that Marks & Spencer is to launch a range of over-the-counter pharmaceuticals. However, M&S said it was not planning to go into the sector other than vitamins and minerals.

Storehouse weakened 7 to 287p on concerns over sales growth ahead of its interim.

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extraordinary meeting to push through its demands. Watson & Phillips fell 45p to 420p after the group issued a profits warning because of a downturn in costs at a new development in its food service division.

Analysts downgraded forecasts although there seemed to be little concern for the longer-term. A rise in interim profit resulted in Grauman TV rising 22 to 292p.

RTV eased 15p to 369p. Last week United News & Media, which was up 2p to 67p, acquired a 20 per cent stake in the company from Scottish TV and stated that it had no intention of making an offer for the balance.

Scottish TV fell 21 to 732p.

Boots fell 5 to 537p on speculation that Marks & Spencer is to launch a range of over-the-counter pharmaceuticals. However, M&S said it was not planning to go into the sector other than vitamins and minerals.

Storehouse weakened 7 to 287p on concerns over sales growth ahead of its interim.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Austria (Oct 26 / Fri), Germany (Oct 26 / Fri), Italy (Oct 26 / Fri), and Norway (Oct 26 / Fri).

ASIA

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Hong Kong (Oct 26 / Fri), Japan (Oct 26 / Fri), Korea (Oct 26 / Fri), and Taiwan (Oct 26 / Fri).

AMERICA

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Canada (Oct 26 / Fri), USA (Oct 26 / Fri), and Mexico (Oct 26 / Fri).

AFRICA

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for South Africa (Oct 26 / Fri), Egypt (Oct 26 / Fri), and Nigeria (Oct 26 / Fri).

OCEANIA

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Australia (Oct 26 / Fri), New Zealand (Oct 26 / Fri), and Singapore (Oct 26 / Fri).

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Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for France (Oct 26 / Fri), Spain (Oct 26 / Fri), Portugal (Oct 26 / Fri), and Greece (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Netherlands (Oct 26 / Fri), Belgium (Oct 26 / Fri), and Luxembourg (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Switzerland (Oct 26 / Fri), Austria (Oct 26 / Fri), and Germany (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for India (Oct 26 / Fri), China (Oct 26 / Fri), and Hong Kong (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for South Korea (Oct 26 / Fri), Taiwan (Oct 26 / Fri), and Japan (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Argentina (Oct 26 / Fri), Brazil (Oct 26 / Fri), and Chile (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Colombia (Oct 26 / Fri), Peru (Oct 26 / Fri), and Venezuela (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Russia (Oct 26 / Fri), Ukraine (Oct 26 / Fri), and Poland (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Czech Republic (Oct 26 / Fri), Slovakia (Oct 26 / Fri), and Hungary (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Romania (Oct 26 / Fri), Bulgaria (Oct 26 / Fri), and Greece (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Turkey (Oct 26 / Fri), Israel (Oct 26 / Fri), and Egypt (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Jordan (Oct 26 / Fri), Lebanon (Oct 26 / Fri), and Syria (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Iraq (Oct 26 / Fri), Kuwait (Oct 26 / Fri), and Saudi Arabia (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Oman (Oct 26 / Fri), Yemen (Oct 26 / Fri), and Somalia (Oct 26 / Fri).

Table with 4 columns: Stock Name, Price, Change, and Volume. Includes sub-sections for Ethiopia (Oct 26 / Fri), Kenya (Oct 26 / Fri), and Tanzania (Oct 26 / Fri).

4 pm close October 31

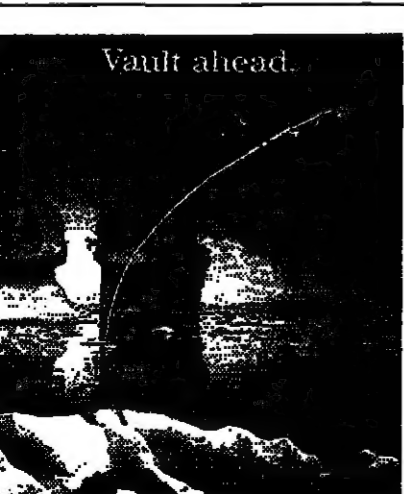
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NASDAQ NATIONAL MARKET

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	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV	XVI	XVII	XVIII	XIX	XX	XXI	XXII	XXIII	XXIV	XXV	XXVI	XXVII	XXVIII	XXIX	XXX	XXXI	XXXII	XXXIII	XXXIV	XXXV	XXXVI	XXXVII	XXXVIII	XXXIX	XL	XL I	XL II	XL III	XL IV	XL V	XL VI	XL VII	XL VIII	XL IX	XL X	XL XI	XL XII	XL XIII	XL XIV	XL XV	XL XVI	XL XVII	XL XVIII	XL XIX	XL XX	XL XXI	XL XXII	XL XXIII	XL XXIV	XL XXV	XL XXVI	XL XXVII	XL XXVIII	XL XXIX	XL XXX	XL XXXI	XL XXXII	XL XXXIII	XL XXXIV	XL XXXV	XL XXXVI	XL XXXVII	XL XXXVIII	XL XXXIX	XL XL	XL XL I	XL XL II	XL XL III	XL XL IV	XL XL V	XL XL VI	XL XL VII	XL XL VIII	XL XL IX	XL XL X	XL XL XI	XL XL XII	XL XL XIII	XL XL XIV	XL XL XV	XL XL XVI	XL XL XVII	XL XL XVIII	XL XL XIX	XL XL XX	XL XL XXI	XL XL XXII	XL XL XXIII	XL XL XXIV	XL XL XXV	XL XL XXVI	XL XL XXVII	XL XL XXVIII	XL XL XXIX	XL XL XXX	XL XL XXXI	XL XL XXXII	XL XL XXXIII	XL XL XXXIV	XL XL XXXV	XL XL XXXVI	XL XL XXXVII	XL XL XXXVIII	XL XL XXXIX	XL XL XL	XL XL XL I	XL XL XL II	XL XL XL III	XL XL XL IV	XL XL XL V	XL XL XL VI	XL XL XL VII	XL XL XL VIII	XL 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XIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL I	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL II	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL III	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL V	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL X	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL I	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL II	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL III	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL V	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL X	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL I	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL II	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL III	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL V	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL X	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXXIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL I	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL II	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL III	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL V	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL VIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL IX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL X	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XVIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XIX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XX	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIII	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXIV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXV	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XXVI	XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL XL
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Hemikrow	0.08	13	36	9 $\frac{1}{2}$	8 $\frac{1}{2}$	9 $\frac{1}{2}$		Ocharneya	43	271	11 $\frac{1}{2}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$		Trans
Hühnerfisch	18	45	9 $\frac{1}{2}$	9	9	- $\frac{1}{2}$		Octal	1681330	16 $\frac{1}{2}$	15	15 $\frac{1}{2}$	- $\frac{1}{2}$		Trenad
Hochlinger	0.18	1	1080	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$		Sentinel	25	25	11 $\frac{1}{2}$	12 $\frac{1}{2}$	11		Trimb

[illegible]

13g	10/10/20	1.13	27	14	200	d199	199	-4	PhysOptim	12	3349	721 ₄	103 ₄	113 ₈	-2 ₈	Warrior
									Peccati	0.48203	13	81 ₄	81 ₄	81 ₄		Warrior

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